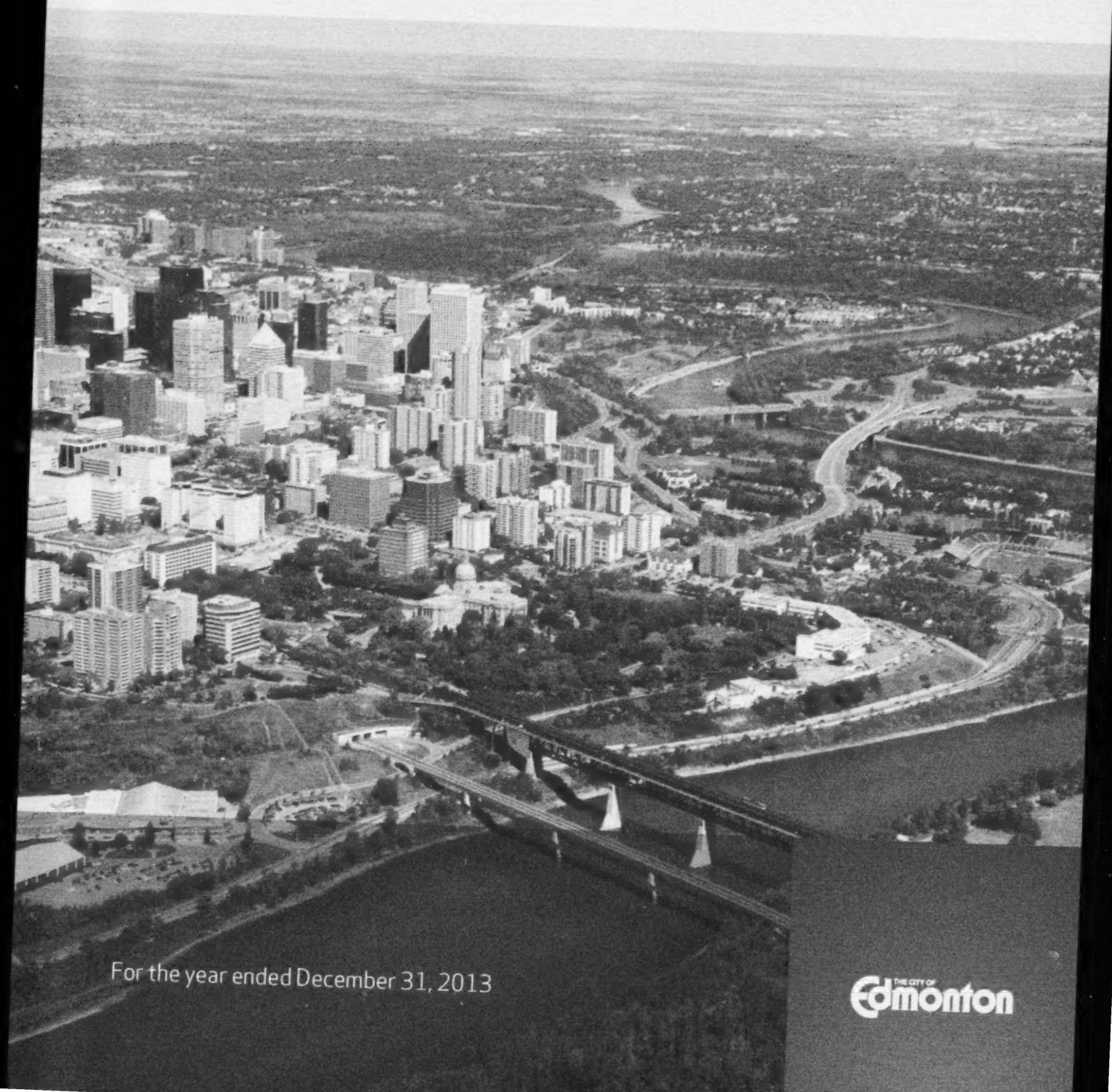
2013 ANNUAL REPORT

CITY OF EDMONTON, ALBERTA, CANADA



For the year ended December 31, 2013

THE CITY OF Edmonton

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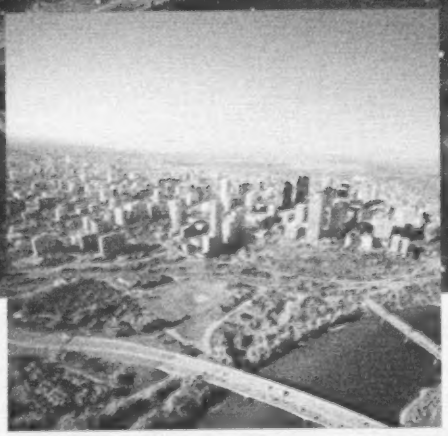
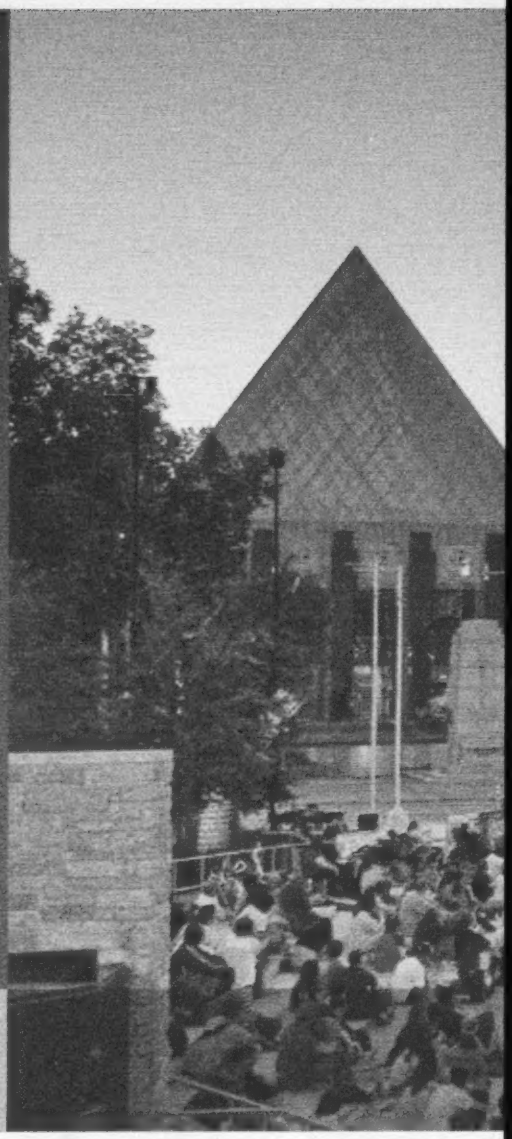
For the year ended December 31, 2013

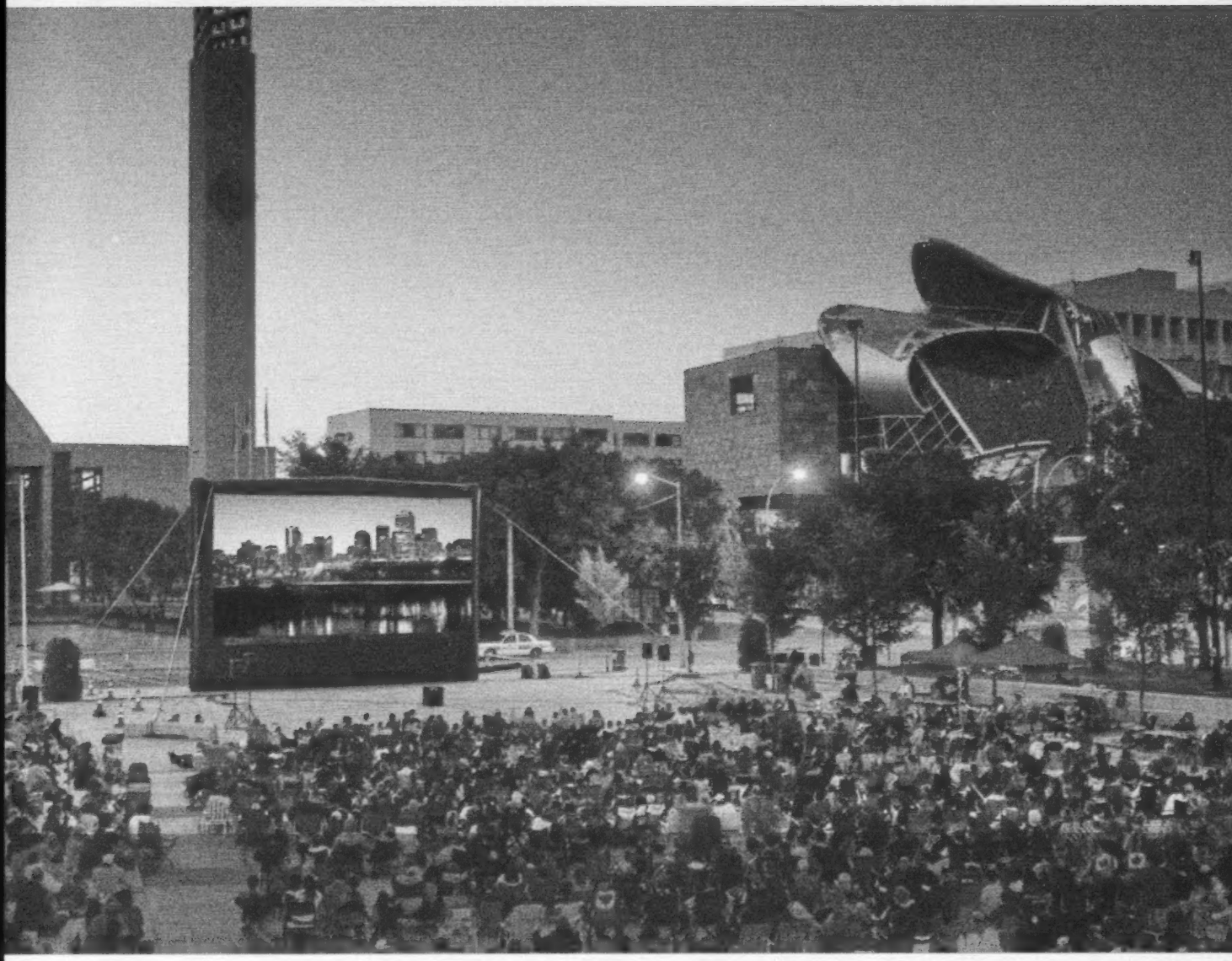


Produced by the City of Edmonton, Financial Services and Utilities, with support from Corporate Communications, civic departments, offices and agencies.

OUR EDMONTON

Edmonton is an innovative, vibrant and energetic city that proudly stands as one of Canada's most dynamic and prosperous economic centres. Our robust economy and employment growth is moving forward at a remarkable rate, garnering an esteemed reputation that is the envy of the world. Our quality of life is embodied in our caring communities, dynamic arts and culture, passionate sports teams and world-class recreation centres. We will continue to strive for excellence, attract investment and capitalize on what it means to be a globally competitive city.





A GLOBALLY COMPETITIVE CITY

Edmonton is a globally competitive city that cultivates knowledge and innovation, attracts and retains skilled and motivated labour, has the quality infrastructure needed to support economic development and has a strong cultural identity.

Building a great city demands both financial stewardship and vision. The City has been investing and continues to invest in new infrastructure. This is smart investment for the long term which is driven by the priorities and expectations of citizens and businesses. This city-building is being done in the context of a strong, diversified and sustainable economy.

Edmonton is experiencing an expansion of existing businesses and is attracting new investment. Job openings exceed labour supply. In 2013, the Edmonton region created one of every ten new jobs in Canada. Migration will continue to be strong in the coming months and years, adding to the labour force and population. The Conference Board of Canada forecasts that the Edmonton region will be Canada's fastest-growing between now and 2017.

Edmonton is connected regionally, nationally and internationally. Located at the heart of the Alberta Capital Region, it is the supply and service hub to Alberta's oil sands and is central to Western Canada's extensive road, rail and pipeline networks, connecting Edmonton to key North American and Asian markets. A strong research and development community along with world-class education and training institutions are catalysts for innovation and magnets for attracting the best and brightest from all parts of the globe.

Edmonton's economic advantages complement the quality of life the city offers. Edmonton is well known for its vibrant arts and culture scene, sports and entertainment options for all tastes, state-of-the-art amenities and attractions and its gorgeous river valley. The City is engaged with its citizens in city-building that ranges from the care and development of the river valley parks system, to an expanding LRT network, to the excitement of transformational developments in the downtown core.

There is a renewed sense of optimism in Edmonton. There is consensus and pride by people in business, in the arts, and in the community that this is one of the best places on earth to take a risk, to be an entrepreneur and to launch an idea. Edmonton is an innovative, vibrant and creative place.

Canada's fifth-largest municipality and Alberta's second-largest city.

Population:

- City: 817,498*
- Metro: 1,216,000**

Land area:

- City: 684.37 km²
- Metro: 9,426.73 km²

* based on 2012 municipal census
** estimate, City of Edmonton

ECONOMIC OUTLOOK

The economic outlook for Edmonton is excellent. Outstanding employment and income growth over the past several years means that the local economy has strong fundamentals that will help insulate Edmonton from external economic shocks that may impact Canada and Alberta.

Overall economic performance

The City of Edmonton and the Edmonton Census Metropolitan Area (Edmonton region) more generally, continued to experience very solid economic growth during 2013 despite the more disappointing performances of the Canadian and global economies. With very robust gains in employment, income and population, the City ended 2013 with plenty of momentum to support continued economic growth going into 2014.

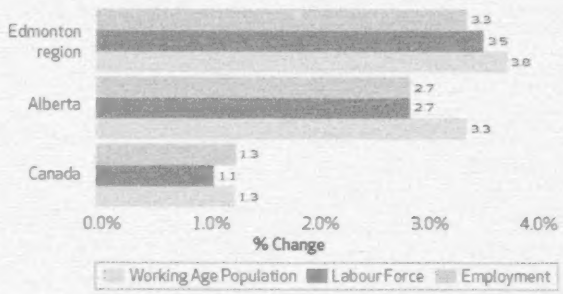
While the Canadian economy entered 2013 with some momentum, it was clear by mid-year that economic activity was slowing. Continued weakness in exports and business investment resulted in projections for 2013 as a whole being downgraded.

Employment

In contrast to tepid results for Canada, Alberta experienced a very solid employment gain of 2.9 per cent during 2013. Job gains were generally full-time positions which acted as a boost to incomes and consumer confidence in the province. While energy exports did not expand significantly, continuing investment in the energy sector combined with strong residential and non-residential construction and booming retail sales ensured that Alberta retained its position as the fastest growing province.

The economic indicators for the Edmonton region were comparable to those for the province during 2013. Employment expanded by 3.3 per cent in 2013 which was almost 3 times the national average of 1.3 per cent. As well, the working-age population and labour force in the Edmonton region both grew at a remarkable pace as the Edmonton region continued to attract very large numbers of new migrants seeking employment. The rapid growth in job seekers, however, resulted in the region's unemployment rate moving up slightly from 4.7 per cent in 2012 to 4.9 per cent in 2013. At the same time, this additional slack in the labour market helped to address labour shortages in many sectors such as construction, manufacturing and professional services.

LABOUR MARKET DEVELOPMENTS – 2013 ANNUAL CHANGE



Source: Statistics Canada

Residential construction

The residential construction sector in the Edmonton region also had a very strong year in 2013 as evidenced by the advances seen in both housing starts and building permits.

The value of building permits issued in the Edmonton region stood at $5.5 billion in 2013 – a record high over the last decade and up by 15 per cent from the level recorded in 2012. Strong construction intentions in both the residential and non-residential sectors drove the total value of building permits high in 2013. In Alberta, the annual growth in the value of building permits in 2013 was similar to that in the Edmonton region, while at the national level, the value of building permits was essentially unchanged from a year ago.

Housing Starts

Edmonton's housing starts were also at their highest level in over a decade in 2013. Construction started on over 10,600 new housing units in the City – an increase of 12 per cent from 2012. The entire region reported just under 14,700 new housing starts in 2013, representing an increase of 14 per cent year-over-year. The growth in the City's housing starts was primarily driven by the single-family sector while the main driver for the wider metropolitan region was the multi-family sector.

Inflation

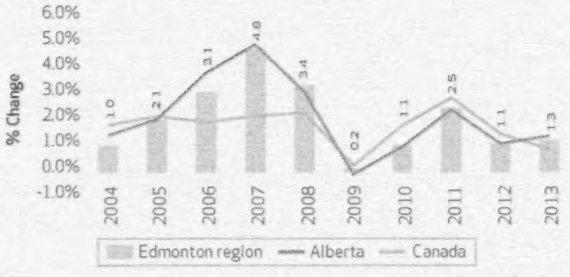
In spite of strong growth in Edmonton and the region, inflation remained very low by historical standards. Inflation as measured by the Consumer Price Index (CPI) came in at 1.3 per cent for the Edmonton region while the comparable figure was 1.4 per cent for Alberta and 0.9 per cent for Canada.

Inflation was held in check during 2013 as a result of weak energy prices and lower costs for food and other selected items. However, as strong in-migration to the region continues to drive down the rental vacancy rates, rents will start to move up more quickly and put an upward pressure on the consumer inflation. Consequently, consumer-based inflation in the Edmonton region is expected to move up to an annual rate of about 2.5 per cent in the first half of 2014.

The CPI reflects the prices consumers pay on an average basket of goods and services, but it does not reflect all of the inflationary pressures experienced by organizations such as the City. Prices used to determine the CPI represent average consumer purchases such as groceries, clothes, retail goods, rent and mortgage. The CPI does not reflect the type of expenditures required to deliver municipal goods and services, such as construction materials, transportation equipment and professional services.

In summary, Edmonton's economic performance during 2013 was very strong both when compared to the rest of Canada and by its own historical standards. Increasing full-time employment and higher incomes have supported retail activity while a rapidly growing population helped drive residential construction activity to record high levels. Barring a very strong negative external shock, Edmonton is very well positioned for continued economic strength in 2014.

CONSUMER PRICE INDEX
FOR EDMONTON REGION



Source: Statistics Canada

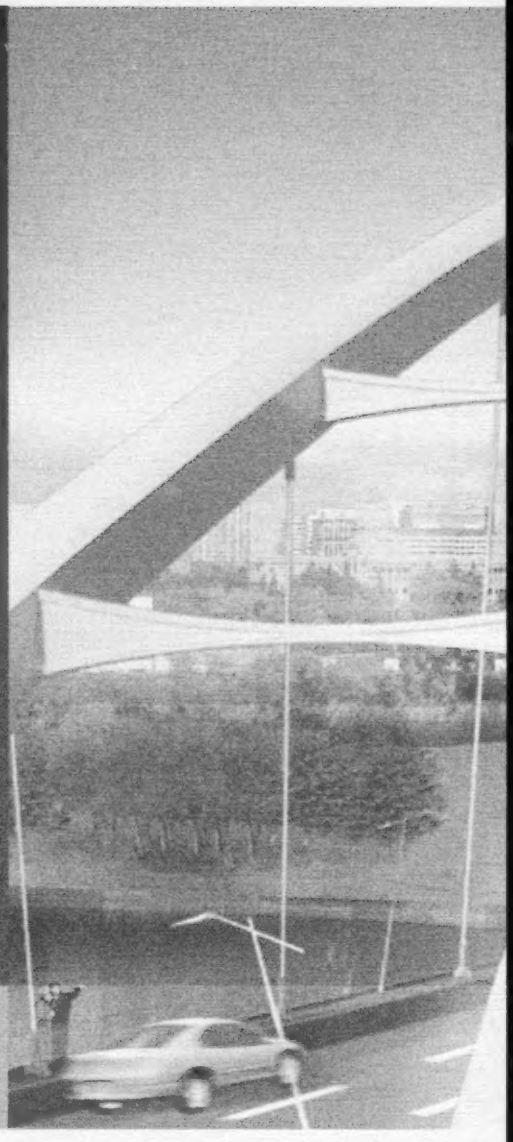
Longer Term Outlook

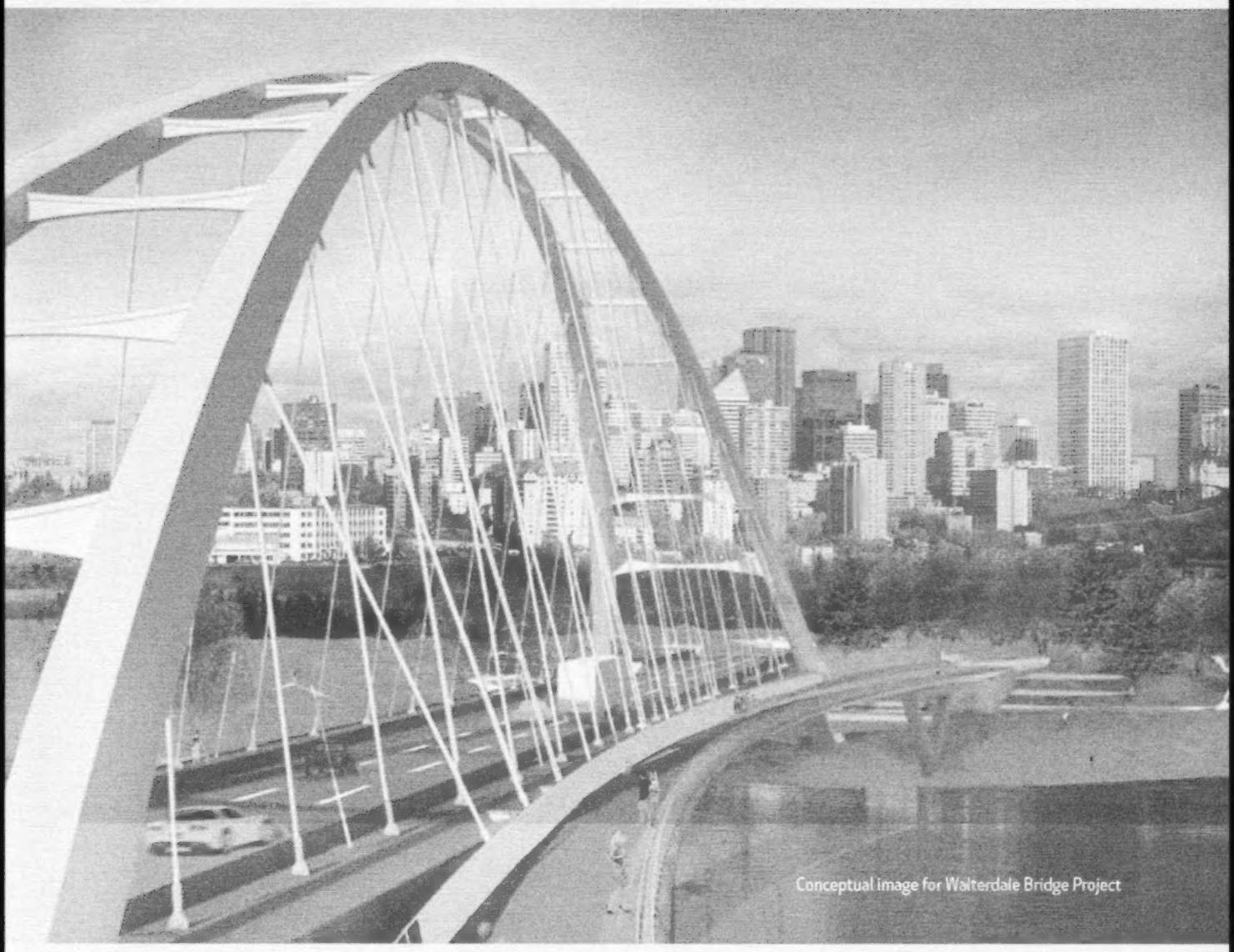
Edmonton and the Region will continue to see strong growth in the coming years. Look for residential construction, retail sales and personal services to take a more prominent role in Edmonton's expansion over the next 12 to 24 months. With improving but still modest growth in the global economy, Edmonton will continue to stand out with the city's and region's growth expected to be in the 3.5 per cent to 4.5 per cent range over the next several years. This compares very favorably to the forecasts for Canada which is in the range of 2 per cent to 2.5 per cent.

OUR ORGANIZATION

As a corporation, the City of Edmonton serves more than one million people living in the Edmonton region. The mayor and Council govern this corporation, setting policy, budget and direction for the City Manager who, along with City Administration, carries out City Council's direction and administers public services.

The City's departments are responsible for particular aspects of public service, while City-owned subsidiaries and authorities provide other services on the City's behalf.





Conceptual image for Walterdale Bridge Project

MESSAGE FROM CITY COUNCIL

Back row
(Left to right):

Mike Nickel - Ward 11
Dave Loken - Ward 3
Andrew Knack - Ward 1
Mayor Don Iveson
Michael Oshry - Ward 5
Michael Walters - Ward 10
Scott McKeen - Ward 6

Front Row
(left to right):

Bev Esslinger - Ward 2
Ben Henderson - Ward 8
Ed Gibbons - Ward 4
Bryan Anderson - Ward 9
Tony Caterina - Ward 7
Amarjit Sohi - Ward 12

Something extraordinary is happening in Edmonton. With a renewed sense of optimism, Edmonton is boldly emerging as a confident capital city with a clear vision for our future. This vision guides our decisions, helps us set direction and encourages us to align our priorities to make Edmonton the city we want it to become.

We have set a vigorous pace for ourselves. As Edmonton continues to experience exceptional growth, we are challenged to plan and develop smartly to meet these growing demands. The Blatchford development, which will be home to close to 30,000 citizens, will be an innovative, sustainable, leading edge community that will be an international benchmark for other cities to follow. Our LRT expansion, which represents the largest single infrastructure project in Edmonton's history, will forever change how we move across our city. Rogers Place and our downtown revitalization projects will transform Edmonton's core into an economic, cultural and tourism hub.

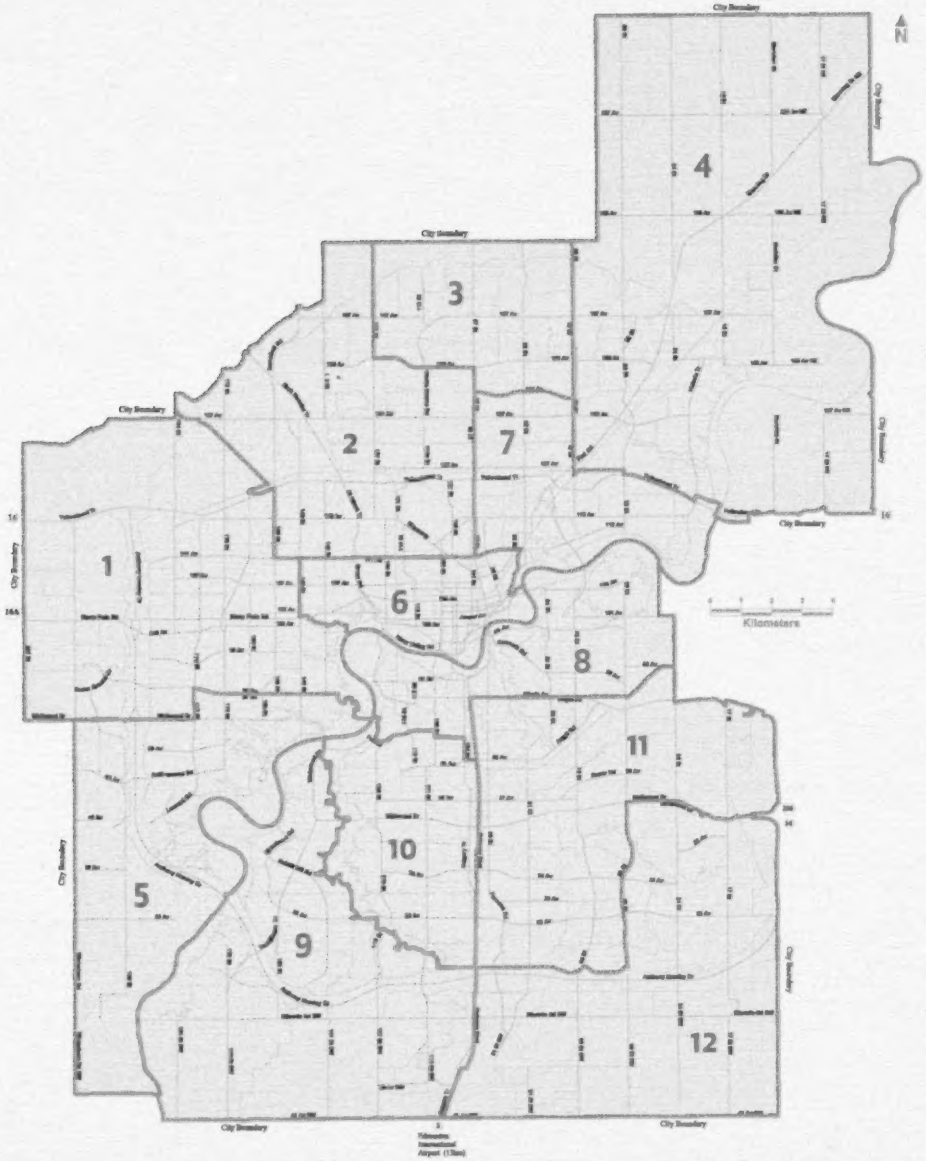
As an economic powerhouse, industrial hotbed and the central hub of Alberta's economic corridor, Edmonton plays a key role in our region, province and nation's future prosperity. World markets demand cleaner, greener, cheaper, faster and safer ways of doing business. To remain globally competitive, we will continue to foster a spirit of innovation and entrepreneurship in Edmonton, particularly in areas like technology, medical research and agriculture.

As City Council, we must always demonstrate a commitment to value for money and improved efficiency. We understand our responsibility to make effective and efficient use of public funds. We also understand the importance of an open, accountable and transparent government. It's through this commitment we demonstrate that everything we do, and the way we do it, is done in service to our citizens. We will remain steadfast in our leadership and stewardship of every tax dollar.

Edmontonians enjoy a wealth of assets — a dynamic arts and cultural community, outstanding recreational and sports facilities, vast urban parkland and a thriving economy. Few cities in the world offer such an exceptional quality of life. As City Council, we're proud to lead the citizens of Edmonton towards our collective vision of a city that is increasingly vibrant, inclusive, innovative and sustainable.

City councillor representation by ward

Edmonton comprises 12 municipal wards, as outlined on this map. One councillor represents each ward.



OUR ACCOMPLISHMENTS

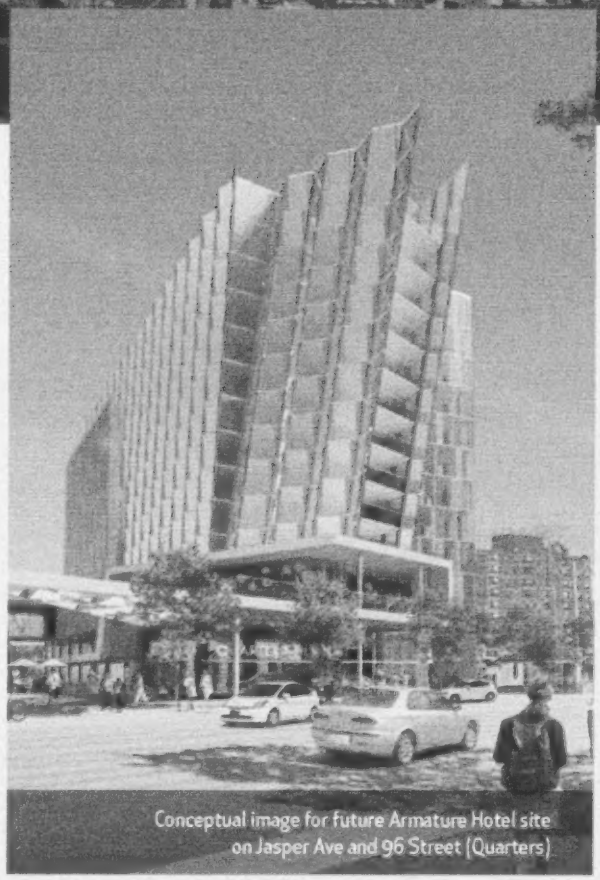
Conceptual image for Wagner LRT Station (Southeast LRT)

Edmontonians have come to expect a very high standard of living, where the City supports a wide range of amenities, civic services, convenience, accessibility, mobility, and vibrant leisure opportunities. Meeting these expectations in a dynamic growing city requires thoughtful planning and continuing investment in core services and programs.

LRT System Expansion

The newly elected City Council has identified LRT expansion as the City of Edmonton's top priority for new infrastructure investment. Construction is nearing completion on the new Metro Line that extends from Churchill Station in downtown Edmonton to Grant MacEwan, the Royal Alexandra Hospital, Kingsway Mall and the Northern Alberta Institute of Technology (NAIT). The new service is scheduled to open by the end of 2014 and is expected to add 13,200 new weekday riders to Edmonton's LRT network.

Preliminary engineering work has been completed for the Valley Line that will run from southeast Edmonton, through the downtown and on to the west end. All necessary commitments from the City, as well as the provincial and federal governments – including funding, design and planning – are being finalized for the southeast to downtown portion of the Valley Line LRT project to proceed.



Conceptual image for future Armature Hotel site on Jasper Ave and 96 Street (Quarters)

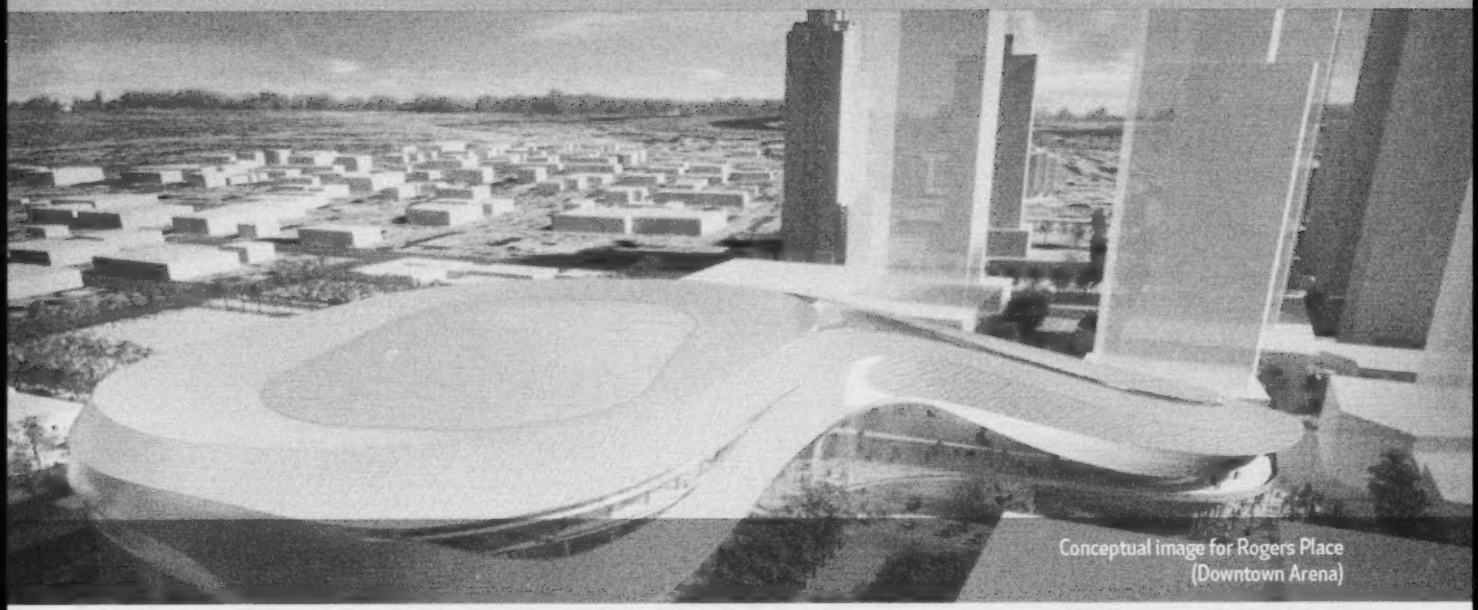
Building a Great City

Investment in new infrastructure or renovation of existing infrastructure is essential to meeting the needs of a growing population and economy.

In 2013 the Building Great Neighbourhoods initiative coordinated city programs in mature communities across Edmonton, including the revitalization of Alberta Avenue, Jasper Place and transforming 108 Street to Capital Boulevard. In addition to this revitalization, the Building Great Neighbourhoods initiative was responsible for the renewing of sewer pipes in a number of neighbourhoods, conducting sewer inspections in nine communities scheduled for reconstruction in 2014 and 2015, and the renewing and replacing of streets, sidewalks, curbs, gutters and streetlights in numerous projects across Edmonton.

2013 marked the beginning of construction of new City facilities including the Clareview and Meadows Recreation Centres, the Clareview and Meadows libraries, and the Lewis Farms fire station.

Meanwhile, the robust road work construction season in 2013 saw the completion of the redesign of two central blocks of Jasper Avenue along with the completion of reconstruction on many of the City's major arterial roads, five major rehab projects for bridges or interchanges and a number of projects for asphalt overlay on arterial routes.



Conceptual image for Rogers Place (Downtown Arena)

Downtown Revitalization

There was continuing momentum for downtown revitalization in 2013, with a number of exciting developments happening simultaneously in and around the downtown. The future arena and entertainment district is complemented by residential highrise developments on 104th Street, Capital Boulevard streetscaping renewal on 108th Street, the Quarters development on the east side of downtown and the provincial project to build a new Royal Alberta Museum just north of City Hall.

City Council approved the final piece of funding for the downtown arena in May 2013, paving the way for the project to move ahead. Construction begins in early spring 2014 on what will be an iconic landmark in the downtown and the most technologically enabled sports facility in North America.

The closure of the remaining runway at the Edmonton City Centre Airport near the end of 2013 allows the City to move ahead with the Blatchford redevelopment, to create one of Canada's largest sustainable mixed-use developments which will offer a walkable, transit-oriented and family-friendly community.

Smart Growth Up and Out

Edmonton is a young city experiencing significant growth. Edmonton's response to that challenge is to grow both up and out.

The City is in the middle of a two-to-five year process to extend the City's southern boundary to facilitate responsible growth in the region. This is the first annexation process Edmonton has undertaken in 30 years, intended to secure a vital economic growth corridor south along the QE II highway and ensure a strong central city that is needed to sustain regional prosperity.

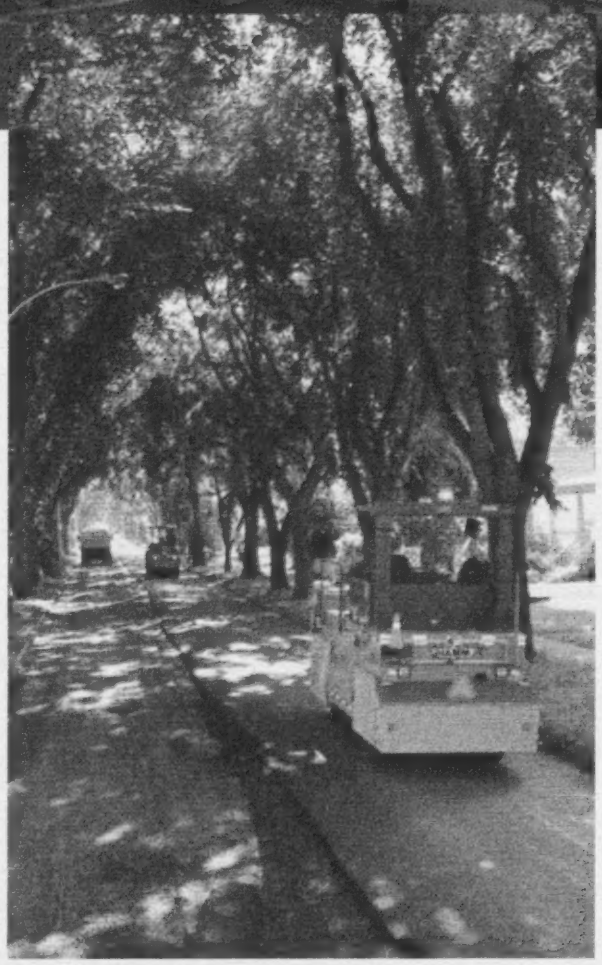
At the same time, the City is focusing efforts to increase density in central areas. The City launched Evolving Infill in 2013, a project to create a city-wide discussion of the need to support new and denser housing within the city's established neighbourhoods. The full closure of the City Centre Airport will remove height restrictions on buildings in the core, continuing the trend of new growth in the downtown.

Climate Impacts City Infrastructure

Edmonton's weather in recent years has had a significant impact on the City's roads and drainage system. Frequent and heavy snowfall and recurring freeze-thaw cycles in the winters have created challenges with snow removal on city streets and created an unprecedented number of potholes. High intensity, localized rain storms in the summers have resulted in flooded streets, homes and businesses in neighbourhoods throughout the city.

In 2013 the City spent $60 million on snow and ice control, $19 million higher than budgeted. City Council also increased the 2013 roadworks budget by $21 million to help address the record number of potholes with enhanced arterial rehabilitation. Extra crews working night and day last year set a new record, filling approximately 750 thousand potholes.

The heavy rain storms and resulting flooding is reinforcing the urgency for implementing an enhanced flood prevention program, with $4.7 million approved by City Council in 2013 to expedite construction and design activity to deal with immediate needs in certain areas experiencing flooding. A further $162.0 million investment in Expanded Flood Prevention will be reviewed by Council in the fall in planning for the future.



Recycling Global Leadership

The City of Edmonton celebrated 25 years of recycling services in 2013, confirming Edmonton's place as a world leader in sustainable waste management. Edmonton was the first major city in Canada to implement curbside recycling, and since its inception in 1988 Edmontonians have set out enough recycling to form a convoy of trucks from Edmonton to Lake Superior, a distance of approximately 2,500 kilometers. Through recycling alone, Edmonton diverts close to 20 per cent of residential waste from landfill.

A subsidiary corporation, operating as Waste RE-solutions, was initiated in 2013 to leverage the innovative waste management knowledge and leadership experience of the City, by providing knowledge services and entering into green economic partnerships in China as well as other locations nationally and internationally.

MESSAGE FROM THE CITY MANAGER

I am pleased to present the City of Edmonton's 2013 Annual Report.

Edmonton's strong economic growth is invigorating all sectors in our community. Our Administration is proud to serve our city and to bring City Council's strategic plan to life in these exciting times.

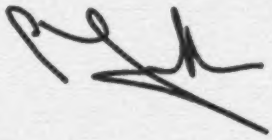
In the biggest step forward since our LRT system was first built in 1978, we have completed a second line in our system, which will open in late 2014. Work will begin on a third line from Southeast to downtown this year to open up access to thousands more riders.

In 2014 we will also celebrate the completion of two major recreation centres, making our active living options and community connectedness among the best in this country. Recreation is critical to a city's livability and to the health and well being of our residents. Likewise, a strong entertainment hub can set a city apart. In 2014, construction begins on our downtown arena, Rogers Place. Along with work underway on our new Blatchford neighbourhood, Edmonton's core is undergoing a major transformation.

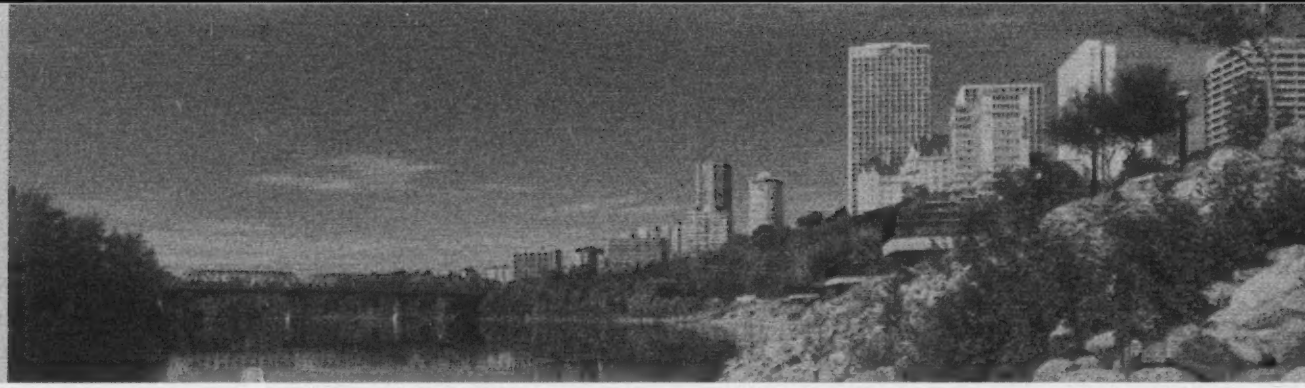
While the need for municipal services will continue to grow along with our population, we are working to build the capacity within our organization to meet those growing demands.

We are promoting a culture of innovation, creativity and accountability among our staff and working to give them the information they need to make choices in their daily work that aligns with City Council's strategic goals. We are fostering an environment where our staff can contribute to their full potential.

Building a workplace culture where our employees can thrive will have a positive effect on the services we deliver. Through individual innovation and team collaboration, we will continue to realize new efficiencies so that we can better align our resources with City Council's priorities for building a great city.



Simon Farbrother MCIP, RPP, MA
City Manager



Legislative and Administrative Organization Chart

ELECTORATE

CITY COUNCIL
Mayor and 12 Councillors

Community Services Committee
Four Councillors

Executive Committee
Mayor and four Councillors

Transportation and Infrastructure Committee
Four Councillors

Utility Committee
Four Councillors

Audit Committee
Mayor, four Councillors and two external members

LRT Governance Board
Four to six external members

Other Committees
Council has other committees to handle various tasks (e.g. Agenda Review)

Office of the City Auditor
D. Wiun, City Auditor

EPCOR Utilities Inc.*
D. Stevens, President & C.E.O.

Police Commission
S. Sandhu, Chair

Edmonton Public Library Board
E. Calabrese-Amrhein, Chair

Edmonton Economic Development Corporation
P. Silverstone, Chair

Other Commissions, Agencies, Boards and Authorities (e.g. Landlord & Tenant Advisory Board and Non-Profit Housing Corporation)

CITY OF EDMONTON ADMINISTRATION

City Manager
S. Farbrother

Community Services
L. Cochrane, General Manager

Corporate Services
K. Rozmahel, General Manager

Financial Services & Utilities
L. Rosen, Chief Financial Officer and Treasurer

Sustainable Development
G. Klassen, General Manager

Transportation Services
D. Wandzura, General Manager

* EPCOR Utilities Inc. is a wholly-owned subsidiary of the City of Edmonton.

POLITICAL AND ADMINISTRATIVE STRUCTURE

City Council

Edmonton's City Council consists of 13 elected representatives including one mayor and 12 councillors representing 12 wards. The mayor is elected by all Edmontonians who vote in the civic election and councillors are elected by voters in the wards they represent. Council provides leadership and direction to the City Manager and City Administration.

The most recent municipal election took place October 21, 2013, with the next election to be held on October 16, 2017. Based on an amendment of the Local Authorities Election Act in 2012, City Council elections are now held every four years.

City Council meets two or three times a month and has a number of standing committees that meet regularly, including the Community Services, Transportation and Infrastructure, Utility, Audit and Executive committees.

The Community Services and Transportation and Infrastructure committees are directed by City Council and deal with matters specifically related to departments that fall within their jurisdiction. The Utility Committee reviews and recommends to City Council items related to policy and rate-setting for waste management, sanitary and storm water drainage utilities, as well as water and wastewater in-city operations of EPCOR. The Audit Committee aids City Council in fulfilling its oversight responsibilities for financial reporting, audit and enterprise risk management. The Executive Committee makes recommendations and advises City Council on items that are more corporate and inter-governmental in nature.

Edmontonians are appointed to more than 25 agencies, boards, commissions and task forces. Whether advisory, decision-making, quasi-judicial or governing, all provide citizens with an opportunity to participate in the present and future direction setting of the city. An LRT Governance Board of between 4 and 6 members with expertise in finance, design, transportation planning or transportation/civil engineering provides oversight of the procurement, development, design and construction of the Southeast and West LRT project.

Meetings of City Council, committees and boards are open to the public.

Office of the City Auditor

Appointed by and accountable to City Council, the Office of the City Auditor provides internal audit services. In providing such services to the corporation, the Office of the City Auditor performs the key roles of guardian and agent of change by performing independent audits and studies of civic departments and programs.

City Administration

City Administration operates under the leadership of City Manager Simon Farbrother, who assumed this responsibility on January 18, 2010. Appointed by City Council as Chief Administrative Officer, Simon Farbrother ensures City Administration carries out Council's direction and administers public services.

City Administration is organized into five departments:

- Community Services
- Corporate Services
- Financial Services and Utilities
- Sustainable Development
- Transportation Services

Each department is responsible for particular aspects of public service, ensuring that citizens have access to the essential services needed in a livable city. Additionally, there are City-owned subsidiaries and authorities that provide services to the City and to the public on the City's behalf.

Edmonton Economic Development Corporation

Edmonton Economic Development Corporation (EEDC) is responsible for regional economic development, tourism marketing and the operation of the Shaw Conference Centre and Edmonton Research Park. EEDC is also part of a joint venture with the University of Alberta - TEC Edmonton, which assists local entrepreneurs, investors and researchers

transform technologies into business opportunities. In 2013, EEDC utilized seed funding from the City through a wholly owned subsidiary, Edmonton Film Fund Ltd., to initiate a revolving investment fund designed to support the development of a sustainable film industry in Edmonton. Financing was provided for two separate film productions in the Edmonton area in 2013.

EEDC is a wholly-owned subsidiary of the City of Edmonton and reports to a board of directors. The 14-member board is appointed from both the private and public sector by City Council and includes Edmonton's mayor.

Edmonton Police Commission

The Edmonton Police Commission works to increase the safety of Edmonton's communities and to ensure professional and ethical policing in Edmonton. It oversees the Edmonton Police Services, including allocating funds provided in its annual operating budget, and creates an essential balance between public accountability and police independence.

The Edmonton Police Commission consists of seven citizens, appointed by City Council, and two city councillors.

Edmonton Public Library

2013 marked the 100th Anniversary for The Edmonton Public Library (EPL). As a strong advocate for literacy and learning, EPL engages the community with more than 10,000 programs and events every year and offers its services online, at its main location downtown and through 16 branches located across the city.

The EPL operates under the authority of the Libraries Act of Alberta and is governed by a 10-member board of trustees, appointed by City Council. Board membership comprises nine citizens and one city councillor.

EPCOR Utilities Inc.

EPCOR Utilities Inc. (EPCOR) builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure. It also provides electricity and water services and products to residential and commercial customers. EPCOR operates in Canada and the United States, with its head office located in Edmonton.

EPCOR is wholly owned by the City of Edmonton and City Council appoints the utility's board of directors and chairman. EPCOR owns a 19 per cent non-controlling investment in Capital Power, a power generation company also headquartered in Edmonton.

Waste RE-solutions Edmonton

On October 3, 2012, the City of Edmonton, as sole shareholder, approved that 2492369 Canada Corporation would operate going forward as Waste RE-solutions Edmonton, repurposed to market the City's waste management expertise and actively begin pursuing waste management business opportunities nationally and internationally in 2013.

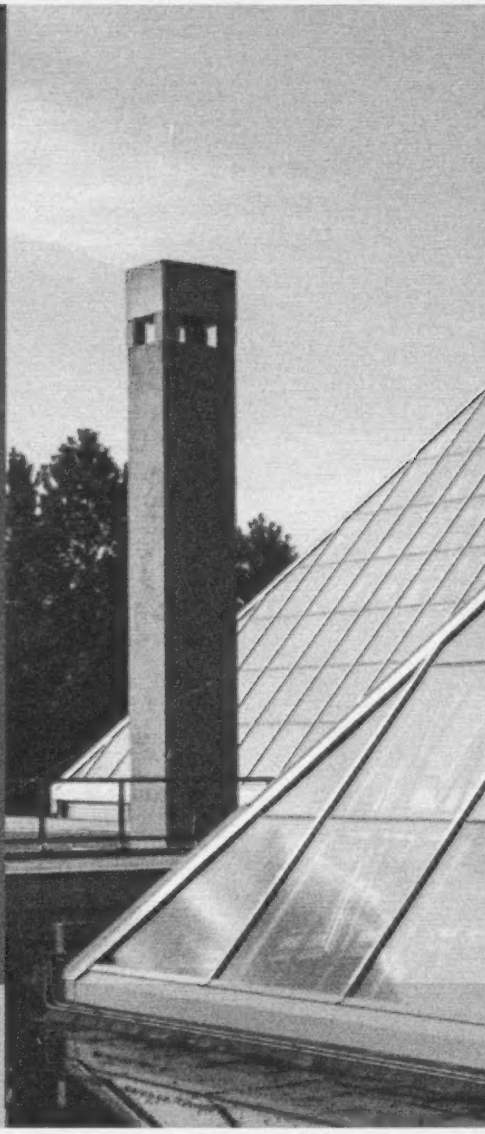
A wholly owned subsidiary of the City of Edmonton, Waste RE-solutions Edmonton is governed by a board of directors comprised of members of City Administration.

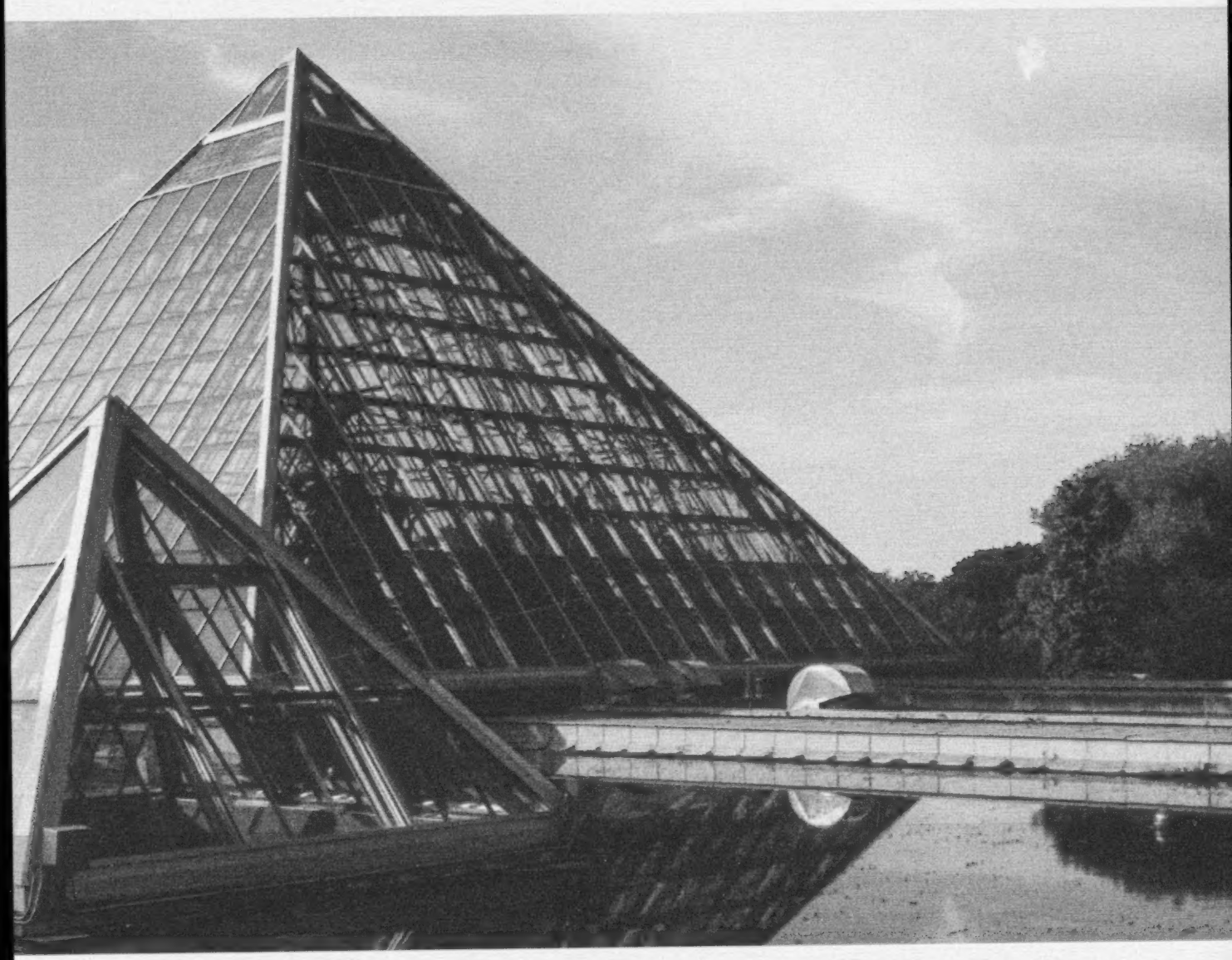
Other Boards

In addition to the boards highlighted above, hundreds of Edmontonians play valuable roles as members of commissions, agencies, boards and authorities that provide leadership and advice in such vital aspects of our city's life as business development, assessment, transportation, housing, historical preservation and much more. Most citizens volunteer their services—evidence of the vibrant volunteerism for which Edmonton is known internationally.

2013 FINANCIAL INFORMATION

The City of Edmonton is entrusted with financial resources to provide municipal infrastructure and services. The following section discusses the City's 2013 financial performance and significant financial policies, strategies and events.





FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

The Annual Report provides information regarding the use of financial resources entrusted to the City of Edmonton (City) to provide municipal services and infrastructure. It serves as an opportunity to communicate with stakeholders and other report users regarding the City's 2013 financial performance, as well as significant financial policies, strategies and future plans to address financial risk and sustainability.

The 2013 Annual Report includes the consolidated financial statements (financial statements) for the City, prepared in accordance with Canadian public sector accounting standards (PSAS). KPMG LLP have audited the financial statements and have provided the accompanying Auditors' Report. The financial statements and auditors' report satisfy a legislative reporting requirement as set out in the Municipal Government Act of Alberta (MGA).

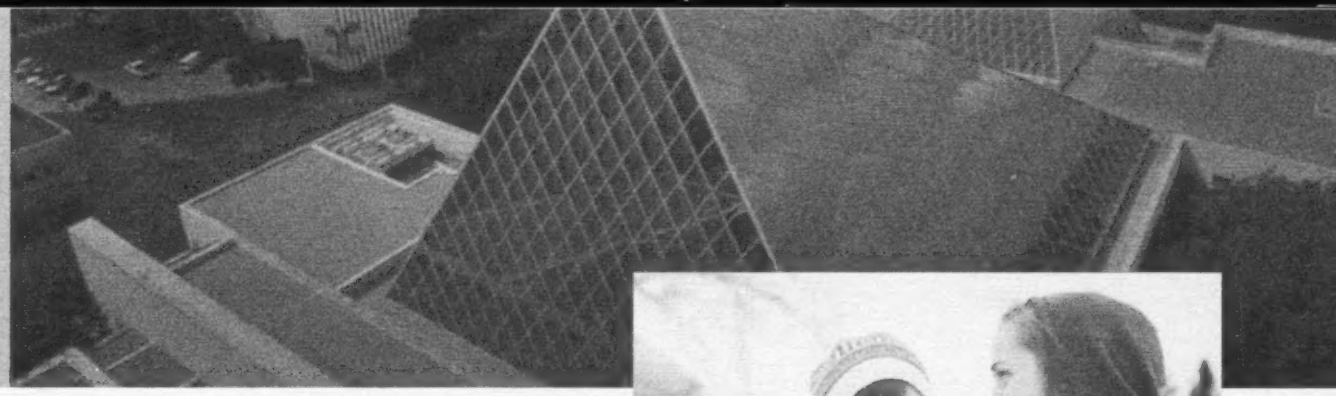
The financial statements should be read in conjunction with the following financial statement discussion and analysis. Both have been prepared by and are the responsibility of Management. A five year statistical review of key information has also been provided.

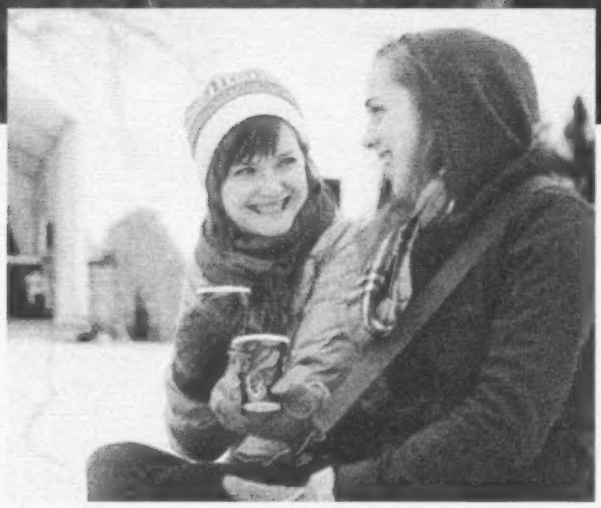
2013 Financial Highlights

The City of Edmonton continued to experience very solid economic growth during 2013 compared to the global and Canadian economies. The second year of the three year capital budget for 2012-2104 continued investment in major capital initiatives. These include Light Rail Transit (LRT) projects, multi-purpose recreation centers, the Neighbourhood Renewal Program, Walterdale bridge construction, continued arterial road work, and revitalization within the Quarters area downtown. The 2013 operating budget advanced Council priorities and maintained a tax increase for civic programs at 3.3 per cent, including 1.0 per cent directed specifically to funding neighbourhood renewal on a pay-as-you-go basis.

Lorna Rosen, CMA, MBA
Chief Financial Officer
and Treasurer

The City ended the year with a $9.6 million surplus for tax-supported operations relative to the budget approved on a modified cash basis (0.5 per cent of budgeted expenditures). The surplus results primarily from personnel savings and other net favourable variances across City programs, partially offset by greater than expected snow and ice control costs and various other net unfavourable program variances.





Accounting and Reporting Changes

In 2013 the City adopted PS3510, *Tax Revenue*. As a result of the adoption, the City changed its accounting policy related to local improvements. A local improvement is a project that Council considers to be of greater benefit to an area of the municipality than to the whole municipality and that is paid for in whole or in part by a tax imposed on the benefiting property owners of an affected area. Property owners have the option to pay the local improvement at the outset of the project or finance the local improvement over a period of time, ranging from five to twenty-five years. Previously, the revenue for the property owners' share of the local improvements was recognized as it was billed. Commencing in 2013 the local improvement revenue is recognized, and a receivable established, for the full amount of the property owners share in the year the local improvement project is complete.

The impact of this change in accounting policy has been applied retroactively with restatement of prior periods. As a result of the change, opening accumulated surplus for the 2012 period increased by $72.3 million. Additional details on the change in accounting policy and the impact on the financial statement balances is disclosed in Note 25 to the financial statements.

Financial Position

2013 ended with a net financial asset position (financial assets less liabilities) of $1,101.6 million, a decrease of $152.5 million from the prior year. The decrease relates to changes over the prior year in various Statement of Financial Position balances described in further detail in the sections that follow. The primary components of the net financial asset balance are the City's investment of $2,262.2 million in the EPCOR subsidiary, investments of $1,348.9 million and long-term debt of $2,426.2 million.

Overall the City has continued to increase its accumulated surplus with a total of $12,159.4 million, an increase of 5.6 per cent from the prior year balance of $11,509.5 million. The change in the accumulated surplus arises from the annual excess of revenues over expenses for the year of $654.9 million and a reduction of $5.0 million for adjustments net of other comprehensive income relating to the EPCOR subsidiary.

Cash Position

The City's cash position, which comprises cash and temporary investments, has decreased to $204.8 million from $226.5 million, an overall decrease of $21.7 million. The change is due to the timing differences between expenditures and funding sources. The Consolidated Statement of Cash Flows summarizes the sources and uses of cash in 2013. During the year, cash was raised in a combination of $732.9 million from operations, $193.3 million from net borrowing and $47.4 million from investing activities. A total of $995.3 million was spent to acquire tangible capital assets, net of proceeds on disposal.

Temporary investments, disclosed in Note 2, decreased during the year by $30.8 million as the funds were used to manage cash flows during the year. Temporary investments are used to manage the timing of operating and capital expenditures.

Receivables

Receivables includes amounts owed to the City related to trade and other receivables, taxes, amounts owing from other orders of government for outstanding operating and capital grants, and local improvements. Note 3 to the consolidated financial statements provides further information on the composition of the receivables balance. The receivables balance of $409.0 million increased by $68.3 million or 20.0 per cent from the prior year balance of $340.7 million.

The trade and other receivables balance at the end of 2013 of $160.4 million increased by $48.6 million or 43.5 per cent over the prior year balance of $111.8 million. $23.6 million of the increase is due to the outstanding recovery from the Government of Alberta for construction costs relating to the Queen Elizabeth/41st Avenue interchange. The City administers all costs related to construction of the interchange, a provincial asset, and recovers amounts owing from the province as set out in a cost share agreement. An additional $6.4 million of the increase is due to amounts owing from other partners for similar cost share agreements. The remainder of the trade and other receivables increase is due to various other increases in amounts owed to the City related to general operations.

Grant payments receivable from the provincial and federal governments at the end of 2013 for funding of capital expenditures made of $123.8 million increased $12.3 million from the prior year balance of $111.5 million. Further details on federal and provincial government transfers are available in Note 17 to the consolidated financial statements.

The remainder of the increase in receivables relates to a combined $7.4 million increase in amounts owing related to taxes for municipal purposes and local improvements.

Investments

All investments held by the City must comply with the MGA, the associated provincial Investment Regulation, *Major City's Investment Regulation* and with the City's internal investment policy. The goal of the City Council-approved investment policy, as overseen by the Investment Committee, is to preserve the original principal and to maximize investment returns within an acceptable prudent level of risk. Asset mix is determined based upon the earning objectives, investment time horizon and level of risk tolerance. The Investment Committee is confident that the asset allocation policies remain appropriate, and will continue to monitor and evaluate the City's investment program and recommend changes as appropriate. More detailed information on the investment performance and benchmarks is available in the Investment Committee 2013 Annual Report.

Included in investments of $1,348.9 million are amounts held as cash, fixed income and common and preferred shares, held within a Short Term Bond Fund, a Balanced Fund and the Ed Tel Endowment Fund. Overall, the market value of the investment portfolio ended the year at $1,379.7 million, above the investment cost by 2.3 per cent.

The largest of the City investment funds is the Ed Tel Endowment Fund, established in 1995, with the investment of $470.2 million in proceeds from the sale of the municipal telephone utility. The objective of the Ed Tel Endowment Fund is to provide a source of income in perpetuity while ensuring that the real purchasing power is maintained. Earnings from the fund are applied under a formula established by City Bylaw 11713. Since inception, the fund has contributed a total of $610.2 million with dividends of $21.5 million provided from

the fund in 2013. Based on the June 30, 2012 market value, no additional special dividend was available in 2013. Under a financial strategy implemented in 2010, dividends from the Ed Tel Endowment Fund form part of investment earnings directed to fund capital on a pay-as-you-go basis. The fund ended the year with an investment book value of $683.8 million compared to a market value of $708.8 million.

NET ASSETS OF
ED TEL ENDOWMENT FUND
(millions of $)

Additional investments of $302.0 million are managed for trust assets under administration, including City-sponsored pension plans and a long-term disability benefit plan funded by employees. Consistent with public sector reporting standards, trust assets are excluded from the City reporting entity. Note 23 to the consolidated financial statements provides summary disclosure with respect to trust assets under City administration.

The City's investment custodian, State Street Trust Company, is responsible for the safekeeping of the City's investments. State Street Trust Company was selected as the City's investment custodian in 2008. A review of the City's banking and custodial services is typically completed every seven to ten years.

Land for Resale

Land for resale includes land inventory that the City ultimately intends to develop for sale or land that has been determined to be surplus to the municipal needs. The balance is recorded at the lower of cost and estimated net realizable value. Costs associated with preparation for sale are added to the cost of the land. Land for resale decreased by a net $9.2 million during 2013 resulting in balance of $230.5 million. This was due to a decrease of $13.0 million in land applied to the Queen Elizabeth/41st Avenue interchange, partially offset by increases of $3.8 million in other land servicing costs.

Investment in Subsidiary - EPCOR

EPCOR builds, owns and operates electrical transmission and distribution networks in Canada as well as water and wastewater treatment facilities and infrastructure in Canada and the United States. EPCOR also provides electricity and water services and products to residential and commercial customers. The City applies a modified equity method of accounting and reporting for EPCOR, a wholly owned subsidiary, as a government business enterprise. Accounting principles of EPCOR are not adjusted to conform to those of the City as a local government and inter-organizational transactions and balances are not eliminated.

EPCOR's 2013 consolidated financial statements have been prepared by EPCOR's management in accordance with International Financial Reporting Standards (IFRS).

In 2013, the investment in EPCOR recorded by the City increased to $2,262.2 million from $2,232.7 million in 2012, a net increase of $29.5 million. The net increase is due to EPCOR's reported net income of the year of $175.5 million, other comprehensive income of $7.1 million, offset by a decrease in shareholders equity of $12.1 million relating to EPCOR's adoption of International Accounting Standard IAS 19 - Employee Benefits (Amended) and a dividend provided to the City of $141.0 million.

In 2009 EPCOR sold substantially all of its power generation assets (net of certain liabilities) to Capital Power for a 72.2 per cent interest in that business. Further dispositions since have reduced EPCOR's interest in Capital Power to 19.0 per cent at the end of 2013. By reducing its investment in Capital Power, EPCOR is able to focus more on its core business activities. The equity method is used within EPCOR to account for the investment in Capital Power.

Summary financial information for EPCOR is included in Note 19 to the consolidated financial statements. Additional detail is available directly from the organization, using contact information provided at the back of this Annual Report.

Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities balance at the end of 2013 of $690.7 million has increased by $91.3 million over the prior year balance of $599.4 million.

Trade payables have increased by $47.7 million due to increased obligations related to land acquisitions and timing differences in payment of outstanding invoices over prior year.

Developer obligations have increased by $6.5 million or 5.7 per cent over prior year. This is due to a $16.1 million increase in amounts owing for developer arterial roadway construction and a $1.9 million increase in other developer obligations, partially offset by a reduction in developer payments being held pending fulfillment of requirements set out in service agreements of $11.5 million.

Payroll and remittance liabilities have increased by $36.1 million, or 47.3 per cent over the prior year. The increase includes a salary accrual for one in-scope employee collective agreement that expired and was in arbitration at the end of the year. There were also increases in payroll deduction amounts collected by the City and owing to the Receiver General at the end of the year.

There was a combined increase of $1.0 million in accrued interest and other payables. Note 6 to the consolidated financial statements provides further information on the composition of the accounts payable and accrued liability balance.

Deferred Revenue

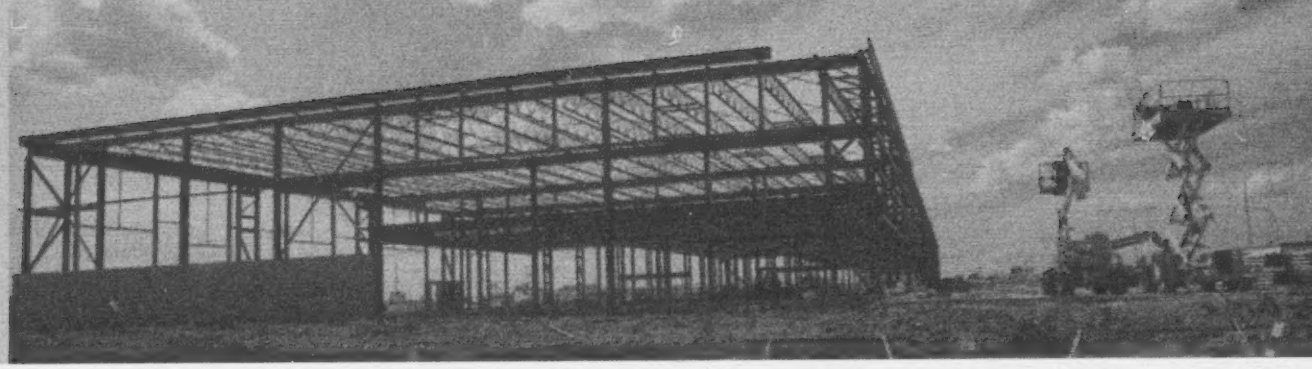
Deferred revenue has increased by $19.3 million over 2012, to end the year at $103.4 million, as net operating and capital funding was received during the year in advance of capital expenses. Deferred revenue is largely made up of government transfer funding for operating or capital expenses, externally restricted until used for the purpose intended. Operating deferred revenue also includes amounts for property and facility rentals and other revenue amounts received in advance of the service being provided. Additional detail with respect to balances and changes in deferred revenue is included in Note 7 to the consolidated financial statements.

Debt

The City utilizes debt to finance capital expenditures under principles and limits established within the Debt Management Fiscal Policy (DMFP). The policy is intended to support the City's long-term capital plans and strategies, while maintaining long-term financial affordability, flexibility and sustainability. The policy also provides for approval of multi-year debt guidelines with a corresponding debt repayment funding strategy, and added flexibility for the application of funds used for debt servicing once debt is retired.

Borrowing completed by the City since 1993 has generally been in the form of amortizing debentures in Canadian dollars administered through the Alberta Capital Finance Authority (ACFA), utilizing the strong debt rating of the Government of Alberta and combined borrowing volumes across Alberta. Interest rates are established at the time of borrowing and remain constant throughout the term of the debenture, eliminating the risk associated with fluctuating interest rates. Payments are made annually or semi-annually.

During the year, a total of $291.0 million was added through new debenture borrowings and mortgages, with $204.7 million considered tax-supported and $86.3 million self-liquidating. The majority of the tax-supported debt was borrowed to finance land for the Southeast to West LRT expansion, Walterdale Bridge reconstruction and community recreation facilities. The City continued to benefit from



low interest rates for new borrowing during the year with ranges as follows:

Term	Interest rates (per cent)
5 year	1.46 to 1.80
10 year	2.23 to 2.76
15 year	2.71 to 3.30
20 year	3.03 to 3.62
25 year	3.24 to 3.90

The net long-term debt of $2,426.2 million at December 31, 2013 increased by $193.3 million (8.7 per cent) over the 2012 balance. The gross amount of debentures and mortgages payable of $2,626.7 million is offset by $134.3 million in related amounts receivable from EPCOR, and by sinking fund assets for debt retirement of $66.2 million (market value of $67.7 million). The amount receivable from EPCOR relates to debentures issued in the name of the City on behalf of EPCOR prior to 1999, as well as debt relating to the Gold Bar Wastewater Treatment Facility transferred to EPCOR in 2009.

A Regulation under Section 271 of the MGA establishes limits for municipal debt levels and annual debt servicing costs. The City's debt limit, as defined by the Regulation is calculated as two times consolidated revenue net of revenue from subsidiary operations - EPCOR, capital government transfers, and contributed tangible capital assets. Debt servicing costs are not to exceed 35 per cent of the same revenues. The City carries levels of debt and debt servicing well below the legislated limit and the limits accessed have remained fairly consistent from 2012 to 2013.

(millions of $)	2013	2012
MGA debt limit	**4,620.0**	4,180.4
Total debt limit used	**2,426.2**	2,232.9
Percentage used (%)	**52.5**	53.4
MGA debt service limit	**808.5**	731.6
Total debt service limit used	**255.8**	223.5
Percentage used (%)	**31.6**	30.6

Further amounts of borrowing of $956.8 million beyond the current levels outstanding, including $503.3 million for the Downtown Arena and Entertainment District construction, have been approved to complete ongoing projects or as part of the overall 2012 – 2014 capital budget.

In addition, up to $796.7 million has been approved in short-term borrowing to fast-track expenditures in advance of funding from provincial or federal transfer payments. To date, $120.0 million in five-year short-term debt has been borrowed, with $60.0 million being borrowed in each of 2010 and 2012. Interest is payable semi-annually and the principal is to be paid utilizing the government transfer monies when received in 2015 and 2017. Further use of short-term borrowing is not anticipated based on the approved capital expenditure projections and government transfer cash flows estimated at this time.

The internal DMFP sets more conservative debt servicing limits than those established through the MGA. As per the City's DMFP, the tax-supported debt service limit is 15 per cent of tax-supported revenues, with tax-supported operations for purposes of this calculation as reported within the consolidated financial statements in Schedule 2 - Consolidated Segment Disclosure. The total debt service limit is set within the DMFP at 22 per cent of corporate revenues for the City, with revenues being defined consistently with the MGA debt limit calculation. The following table compares the debt servicing cost to the limits as established in the City DMFP, where debt servicing cost is the amount of principal and interest for the subsequent year relating to debt in place at the end of the year reported.

(millions of $)	2013	2012
DMFP limit – tax supported	**279.1**	257.4
Tax-supported debt servicing	**130.1**	116.4
Percentage used (%)	**46.6**	45.2
DMFP limit – all debt (net)	**508.2**	459.8
Debt servicing cost	**210.8**	191.5
Percentage used (%)	**41.5**	41.6

The City continues to follow a pay-as-you-go funding approach for a significant portion of the capital expenses in tax-supported programs.

Non-financial Assets

Non-financial assets include tangible capital assets, inventories and other assets generally to be used to provide future services. Tangible capital assets are assets managed and held for use in production or supply of goods and services, for rentals to others, for administrative purposes or for development, construction, maintenance or repair of other tangible capital assets; have economic lives that extend beyond a year; and are not for sale in the ordinary course of operations. Net tangible capital assets of $11,003.5 million have increased by 7.9 per cent compared to the 2012 balance of $10,201.9 million.

The net increase of $801.6 million is a result of the acquisition and contributions of tangible capital assets of $1,235.7 million, offset by annual amortization of $405.3 million and disposals of assets with a net book value of $28.8 million. Additions to tangible capital assets placed in service were primarily in asset categories of roadways, drainage systems, land, and buildings. Schedule 1 - Consolidated Schedule of Tangible Capital Assets to the financial statements provides a continuity schedule for the asset cost and the related accumulated amortization for each of the significant asset types.

2013 is the second year of the three year 2012 - 2014 capital budget, approved by Council in December 2011, to advance the investment in City infrastructure for both growth and renewal projects. 2013 capital additions of $1,235.7 million, including developer contributed assets, were similar to the $1,209.2 million level of 2012 and continued a substantive capital investment program.

A number of large capital projects progressed and continued during the year including the North LRT, Neighbourhood Renewal Program, multi-purpose recreation centers, strategic land acquisition and preliminary design work for the Southeast to West LRT and construction of the Walterdale Bridge. In some cases, projects experienced delays and will be carried forward within the overall 2012 – 2014 capital budget timeline.

Accumulated Surplus

The accumulated surplus reflects the net economic resources that have been built up over time for the City of Edmonton. As reflected in Note 15 to the consolidated financial statements, the accumulated surplus consists of restricted and unrestricted amounts, including operating surplus, reserves and equity invested in tangible capital assets. The City has maintained a strong accumulated surplus, ending 2013 with a total of $12,159.4 million, an increase of 5.6 per cent from the prior year.

As of December 31, 2013 general government operations have an accumulated surplus of $9.6 million and the City share of unrestricted excess sinking fund earnings is $3.9 million. Included in the restricted surplus of $3,456.9 million is $2,262.2 million relating to EPCOR, $683.8 million from the Ed Tel Endowment Fund, a combined accumulated surplus from the enterprise and utility operations of Drainage Services, Land Enterprise, Fleet Services and Waste Management of $140.4 million, as well as $341.9 million in reserves for future expenditures.

Reserves

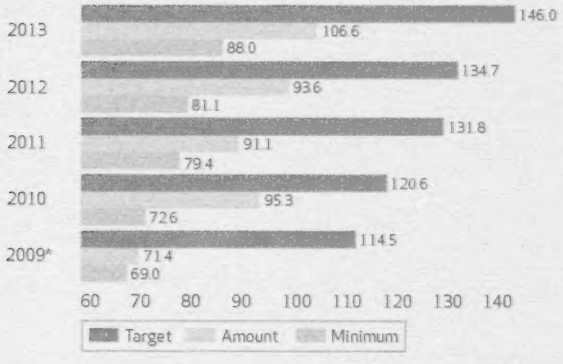
The City maintains a City Council-approved policy which directs the establishment and processes with respect to reserves. Initial establishment of reserves, as well as transfers to and from reserves requires the approval of City Council. The most recent review of reserve balances and related policies was completed in 2012 to ensure they continue to support the financial goals and serve the highest priority needs of the City and its citizens. The reserve policy and balances are monitored on an ongoing basis with the next formal review planned for 2015.

A schedule of reserves, comprising the $341.9 million 2013 balance, has been provided in Note 14 to the consolidated financial statements. The reserve balance includes reserves of the Edmonton Public Library Board, Edmonton Economic

Development Corporation, Non-Profit Housing Corporation and Fort Edmonton Management Company as approved by the respective Boards. The reserve for Fort Edmonton Management Company was approved in 2013.

Of the overall reserve balance, an amount of $106.6 million is held within the unappropriated Financial Stabilization Reserve (FSR). Established in 1997, the intent of the FSR is to provide flexibility to address financial risks associated with revenue instability and unforeseen costs, and to ensure the orderly provision of services to citizens. As an outcome of the 2009 review of reserves, a minimum balance of 5.0 per cent and a target balance of 8.3 per cent of general government (tax-supported) operating expenses for the FSR were established. The target balance is meant to approximate one month of operating expenses, excluding amortization. Any operating surplus from tax-levy operations is transferred to the FSR at the beginning of the subsequent year, with any excess of the reserve target level then applied evenly in the three subsequent years' operating budgets or approved to fund significant one-time operating or capital priorities.

FINANCIAL STABILIZATION RESERVE
(millions of $)



* Effective beginning 2009, target balance 8.3 per cent of tax-supported operating expenses (net of amortization), with a minimum balance of 5.0 per cent of tax-supported operating expenses (net of amortization).

The 2013 tax-supported surplus of $9.6 million will be transferred to the reserve in 2014 and then appropriated for funding within the 2014 budget, as approved by City Council. After reflecting the approved transactions, the FSR balance of $106.6 million will exceed the minimum level as set within the policy of $88.0 million but will be below the target level of $146.0 million. During the year, $9.4 million was transferred from the FSR as previously approved by Council to fund 2013 expenditures.

The Local Improvement Reserve, which was approved by Council through the 2012 Reserves Review, accumulates the annual difference between local improvement revenues and debt servicing related to local improvements. In 2013, $8.6 million in revenues were recognized for local improvement construction completed during the year, with $4.5 million being used to offset local improvement debt servicing costs for the year. The 2012 local improvement reserve balance has been restated to reflect the change in accounting policy on adoption of PS3510, *Tax Revenue*. The accounting policy change and its impacts on the financial statements are explained in Note 25 to the consolidated financial statements.

The Industrial Servicing Fund Reserve is used as a funding source to provide rebates to developers that undertake construction of cost shareable infrastructure. $4.0 million in rebates were paid out in 2012 from the reserve creating a reserve deficit. In 2013, $4.0 million in debt proceeds to fund these rebates were transferred to the reserve. 50% of the future incremental property tax revenue from the front end developments will be used to fund the debt servicing requirements.

A Community Revitalization Levy (CRL) is a funding source the City can use to dedicate future property tax revenue in a specific area to fund public projects designed to encourage new development and revitalize a specific area of the City. The City currently has CRLs approved for Belvedere and the Quarters. The costs in the early stages of both the Belvedere and Quarters CRLs are in excess of incremental CRL revenue resulting in debit balances in the CRL reserves for both Belvedere and Quarters. CRL revenues in future years are expected to offset the current reserve balances.

Equity in Tangible Capital Assets

As summarized in Note 13 to the consolidated financial statements, equity in tangible capital assets represents the investment made in tangible capital assets, after deducting the portion financed by outstanding long-term debt net of debt recoverable. An increase of $606.3 million for 2013, as a result of the net acquisition of tangible capital assets partially offset by net additional debt, brings the ending balance of Equity in Tangible Capital Assets for the year to $8,630.7 million.

Advances for Construction

$58.3 million of funding is in place at the end of the year where capital expenditures have not yet proceeded, compared to $59.8 million at the end of a 2012, a net decrease of $1.5 million. This is due to $11.2 million in revenues from the Traffic Safety and Automated Enforcement program offsetting previous photo radar equipment purchases, $10.8 million in self-liquidating debt and developer contributions received in advance of construction, partially offset by $23.5 million in capital funding received in prior years applied to related expenditures in 2013.

Capital to be funded at year end includes capital leases for computer and phone equipment, capital equipment for 311 operations and Commonwealth Stadium seat replacements where revenues from ticket surcharge in future periods are expected to fund the asset.

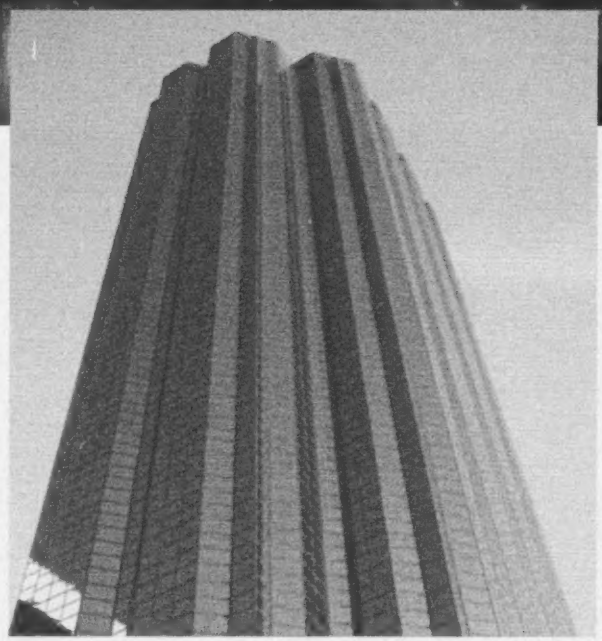
Financial Operations

The Consolidated Statement of Operations and Accumulated Surplus outlines revenues earned by the City and their application (expenses) to provide municipal services.

(millions of $)	
Operating Revenues	
2013 actual	2,424.4
2012 actual	2,060.1
Variance	364.3
% variance	17.7
Operating Expenses	
2013 actual	2,431.2
2012 actual	2,239.5
Variance	191.7
% variance	8.6

The overall operating revenues increase of $364.3 million from the prior year is due to $157.4 million in increased EPCOR earnings, $83.7 million increased taxation revenues from a combined rate increase and growth, $41.9 million increase in investment earnings due to higher fund balances and investment gains, $36.8 million increased user fees and sales of goods and services, $20.6 million increased photo enforcement revenues mostly due to new photo laser technology, $9.9 million increase in power and gas franchise fees largely due to increased growth and consumption, and net increases totaling $14.0 million across other revenue sources.

Operating expense increases of $191.7 million over the prior year related to net increases in personnel costs of $84.8 million, materials, goods and utilities of $44.5 million (net of lower margins on land sales of $20.6 million), contracted and general services of $40.1 million, amortization expense of $23.7 million and net decreases of $1.4 million across other expense categories. Additional resources were required for increased protective, snow and ice control, road maintenance,



biosolids disposal and recreation facility maintenance services. Profit margins on land sales normalized in 2013 after unusually high margins on land sales in 2012.

Operating revenues are greater than budget by $113.8 million, or 4.9 per cent of the revenue budget, primarily due to higher than budgeted net income for EPCOR, increased land sales, increased investment earnings, primarily in the Ed Tel Endowment Fund, and greater than expected photo enforcement revenue. As previously approved by Council, surplus photo enforcement revenues are first used to fund previous purchases of photo enforcement equipment. Additional photo enforcement revenues in 2013 of $11.2 million were used to fund these previous purchases.

Operating expenses of $2,431.2 million were generally managed within the approved budget. Savings from deferred hirings and contract work, reduced housing grant applications, delays in the Queen Elizabeth/41st Avenue interchange project and reduced amortization, were partially offset by increased snow and ice control costs and other net cost increases across departments.

The Fleet Services 2013 expenditure budget is reflected net of annual amortized contributions received by the enterprise. For budgeting purposes the benefits of the contributions are recognized over the useful life of the asset as a reduction to amortization expense. For reporting purposes, the contributed assets are recognized as capital revenue in the year they are received.

(millions of $)

Capital Revenues	
2013 actual	661.7
2012 actual	736.4
Variance	(74.7)
% variance	(10.1)

Capital Revenues	
2013 actual	661.7
2013 budget	936.6
Variance	(274.9)
% variance	(29.4)

Capital revenues decreased from the prior year by $74.7 million, due to a decrease in government transfers of $104.7 million, partially offset by increases in developer contributed assets and contributions and customer contributions of $29.7 million. There were less capital expenditures in 2013 funded through capital transfers in comparison to the prior year, therefore fewer capital transfers associated with the projects were included in revenue. The majority of the 2013 capital revenues were used to fund LRT and roadway capital projects, including continued progress on the North LRT project, scheduled to open in 2014.

The majority of the $274.9 million variance between the budget and actual capital revenue for government transfers is generally due to timing differences around project expenditures, and therefore the timing in the recognition of the related government transfer revenues.

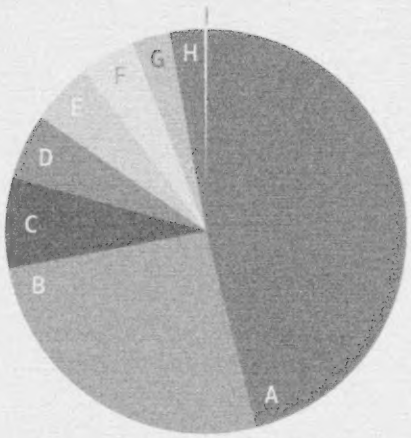
Schedule 2 to the financial statements, Consolidated Segment Disclosures, provides an analysis of revenues and expenses (by object) for each of the significant business groupings within the reporting entity. Note 24 to the financial statements provides a description of each of the segments.

Consolidated revenues exceeded expenses for the year by $654.9 million after accounting for government transfers for capital, developer and customer contributions for capital, developer contributed tangible capital assets and local improvements.

OPERATIONS – SOURCE OF REVENUE

(millions of $)

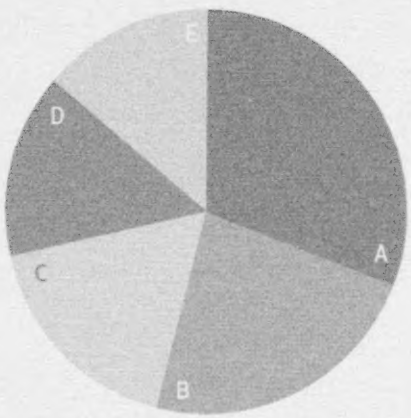
Revenue	$	%
A. Taxation	1,115.9	46.0
B. User fees and sale of goods and services	632.4	26.1
C. Subsidiary operations – EPCOR	175.5	7.3
D. Franchise fees	127.3	5.3
E. Government transfers – operating	119.4	4.9
F. Investment earnings	104.3	4.3
G. Fines and penalties	78.5	3.2
H. Licenses and permits	68.7	2.8
I. Developer and customer contributions – operating	2.4	0.1
	2,424.4	**100.0**

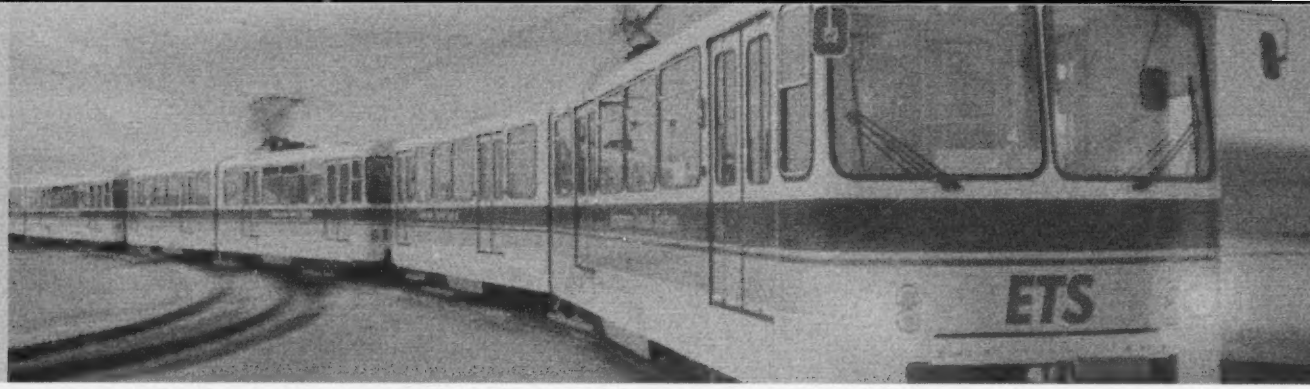


OPERATIONS – DISTRIBUTION OF EXPENSES

(millions of $)

Expenses	$	%
A. Transportation services	754.4	31.0
B. Protective services	556.5	22.9
C. Community services	426.1	17.5
D. Utility and enterprise services	361.4	14.9
E. Corporate administration, general municipal and other	332.8	13.7
	2,431.2	**100.0**





Financial Control and Accountability

The City maintains the following processes to ensure appropriate financial controls and accountability are maintained and to take a proactive approach to identify and address financial challenges.

Responsible Fiscal Management

Based on input provided from thousands of citizens, City Council approved *The Way Ahead: City of Edmonton Strategic Plan 2009-2018* in July 2008, which was updated in 2011 and continues to be refined. The strategic plan was developed to help the City establish priorities and make informed decisions to improve the quality of life for citizens now and in the future. It helps set priorities, determine actions and allocate resources in a manner that integrates and connects the day to day work to be done with strategic purpose and intent. The plan moves the City toward a 30-year vision by establishing 10-year strategic goals. Ongoing public involvement assists City Council with refining short-term priorities to meet changing economic situations and emerging needs.

Six directional plans are intended to integrate and guide the City's work to achieve each of the strategic goals: The Way We Live, The Way We Green, The Way We Grow, The Way We Move, The Way We Prosper and The Way We Finance. Corporate outcomes were set by Council in July 2010 to help bridge operational activities, programs and services of the City with the 10 year strategic goals outlined by City Council in *The Way Ahead*. With extensive consultation, the City has developed directional plans to guide the City's work to achieve five of the six 10 year goals with one still under development. The Way We Grow, Move, Live, Green, and Prosper are all approved with The Way We Finance expected to go to council for approval in 2014.

Edmonton's operating budget lays out the revenues and expenses planned for the following year to deliver city services, using a program-based approach focused on service delivery and advancement towards the City's long-term goals. The City is not permitted to budget for a deficit and it does not plan surpluses. From year-to-year, new services may be created when City Council identifies a clear need. Services may be enhanced or reduced to more closely align with goals and outcomes, or due to costs or other factors. Balancing the need to deliver core services to an expanding area, with the need to facilitate new opportunities is challenging with the limited sources of revenue available to municipalities to pay for civic services. This challenge is dealt with each year during budget deliberations. City Council decides the overall levels of services, types of programs and long-term investments to support a growing, vibrant city that are affordable to Edmontonians.

City Council and administration are committed to public consultation during the development and review of the annual budget. Edmontonians provide valuable input on operational issues using a variety of channels, including comments through the City's online reporting tools, calls to 311, public consultation on specific programs, contact directly with the Mayor and Councillors throughout the year and through the budget hearing.

A 10-year Capital Investment Agenda (2012-2021) assists Council in making long-term strategic decisions on how to best allocate City resources to build and maintain the infrastructure requirements over the next decade.

The three-year capital budget determines the investment in Edmonton's hard infrastructure: the construction of buildings like recreation centers and libraries, transportation assets like LRT lines and bridges, and for underground infrastructure like sewage systems. Supplementary capital budget adjustments are made twice each year (or as required) as needs are refined, as projects advance and as funding sources are confirmed or amended.

Moving forward, the City has developed a Capital and Operating Budget system for implementation with the 2014 operating budget and the 2015 - 2017 capital budget. The system and revised processes are intended to streamline budget preparation, provide additional detailed analysis as well as support scenario building to assist decision-making.

More detailed information on the planning and budgeting process is available on the City's website.

Accounting and Financial Reporting Process

The City of Edmonton is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources allocated to those programs. The City utilizes a shared services model for financial services. All business areas reporting to the City Manager share a common accounting and reporting system, and financial and accounting services are administered within financial services and delivered to each business area based on their needs.

The Edmonton Public Library Board, Edmonton Police Services, Non-Profit Housing Corporation, Waste RE-solutions and Edmonton Combative Sports Commission utilize the common accounting system but report through their board or commission. EPCOR, Edmonton Economic Development Corporation, and Fort Edmonton Management Company each have independent accounting systems and report through their respective boards.

Monthly operating financial performance reports for areas reporting to the City Manager are reviewed administratively, comparing year-to-date revenues and expenses as well as projections to the end of the fiscal year to annual budgets. Quarterly operating reporting is provided to City Council along with recommendations for strategies to address opportunities and challenges. Capital reporting is reviewed with City Council for second, third and fourth quarters. It is anticipated that performance reporting will be supported by the capital and operating budget system, once fully implemented.

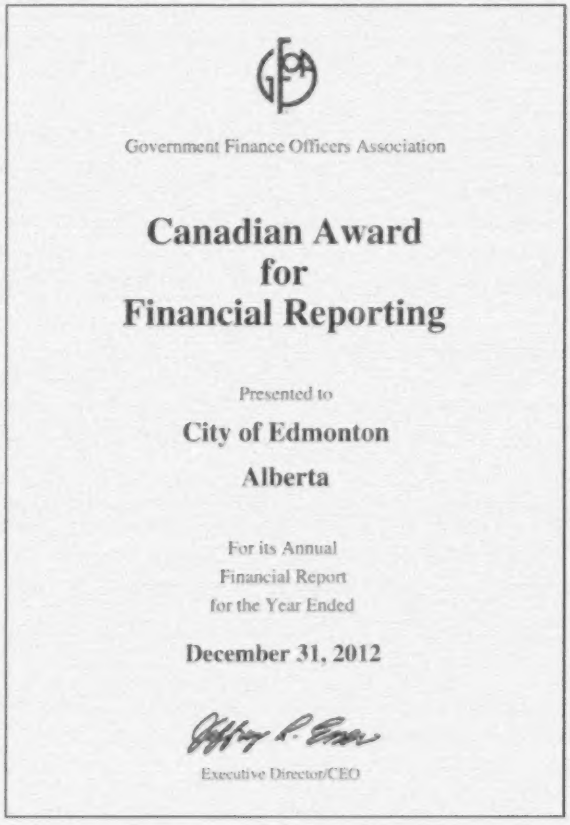
Recognition for Achievement

Award programs in the financial area continue to recognize the City of Edmonton for a high standard of achievement.

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a **Canadian Award for Financial Reporting** to the City of Edmonton for its annual financial report for the fiscal year ended December 31, 2012.

The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.


Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

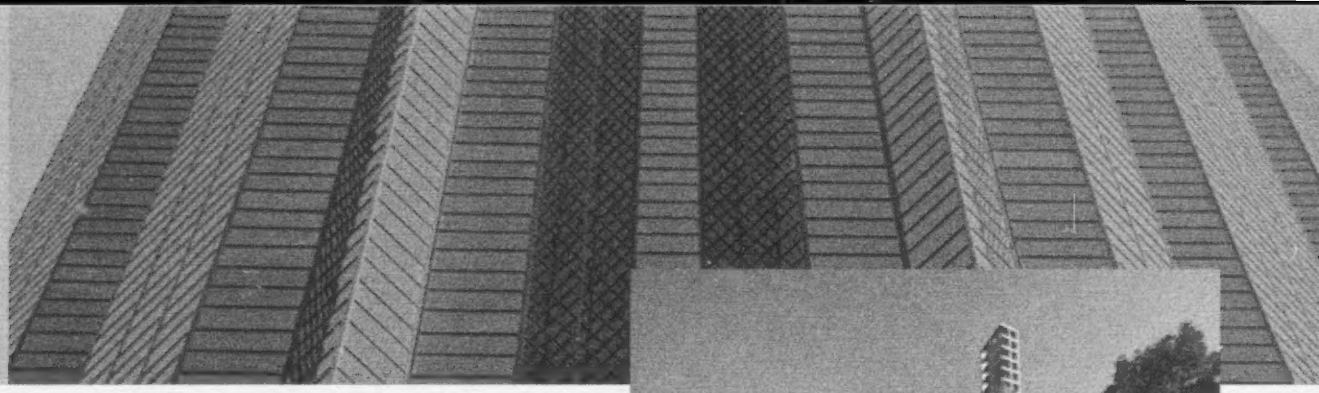
City of Edmonton

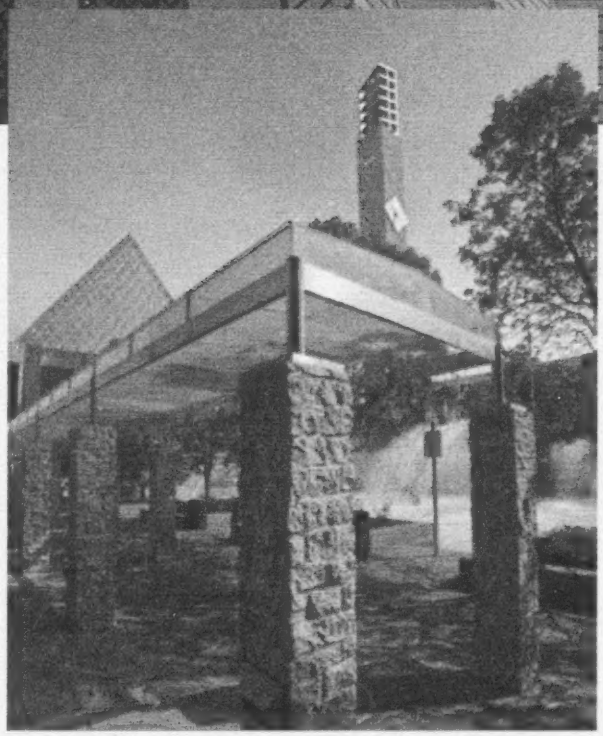
Alberta

For its Annual Financial Report for the Year Ended

December 31, 2012

Executive Director/CEO





A Canadian Award for Financial Reporting is valid for a period of one year only. This is the twentieth consecutive year that the City of Edmonton has received this award. We believe this 2013 Annual Report continues to conform to the Canadian Award for Financial Reporting program requirements and we will be submitting it to the GFOA for consideration and feedback.

The City also received the GFOA award for **Distinguished Budget Presentation** for the fiscal year beginning January 1, 2013. In order to receive this award, a governmental unit must publish a budget document of the highest quality that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

For the fourteenth consecutive year, an **Achievement of Excellence in Procurement Award** was presented to the City of Edmonton from the National Purchasing Institute. This prestigious international award recognizes excellence in public procurement, measuring the innovation, professionalism, productivity and leadership attributes of public sector organizations. The City of Edmonton was the only Canadian government organization to receive this award for 2013.

The City received several other awards in 2013 including recognition for drainage design and construction and occupational health, fleet and corporate safety.

Auditing Process

The MGA requires municipal councils to appoint an independent auditor. In 2010, a tender for audit services was completed and City Council appointed the firm of KPMG LLP, Chartered Accountants, as external auditor for a five-year term. The auditor must report to City Council on the annual consolidated financial statements. External audits are also completed for the Provincial Financial Information Return and for each of the pension and benefit plans administered by the City. Certain government transfer programs also require external audit.

The operating budget presented in the consolidated financial statements reflects the originally approved Council budget as set in April 2013, when Council approved the final 2013 tax rate to be applied against properties within the city. 2013 capital budgets presented in the financial statements reflect the 2013 budget originally approved by Council in December 2011, as a part of the overall 2012 – 2014 capital budget, plus any carry forward of unspent capital budget from 2012. Capital budget adjustments made as part of the spring and fall supplementary capital budget adjustment process are not reflected. For the first time the budget represented in the consolidated financial statements has been audited to ensure adherence with public sector accounting standards.

The City's Audit Committee serves as a Committee of Council to assist in fulfilling its oversight responsibilities. The Committee includes the Mayor, four Councillors and two public members as outlined under Bylaw 16097, *Audit Committee Bylaw*. Audit Committee reviews the consolidated financial statements and makes a recommendation to City Council for the approval of the statements.

The City has an internal audit function independent of the City Administration. The Office of the City Auditor reports directly to City Council through Audit Committee, empowered by Bylaw 12424, *City Auditor*. This bylaw establishes the position of City Auditor and delegates powers, duties, and functions to this position. The City Auditor has two roles:

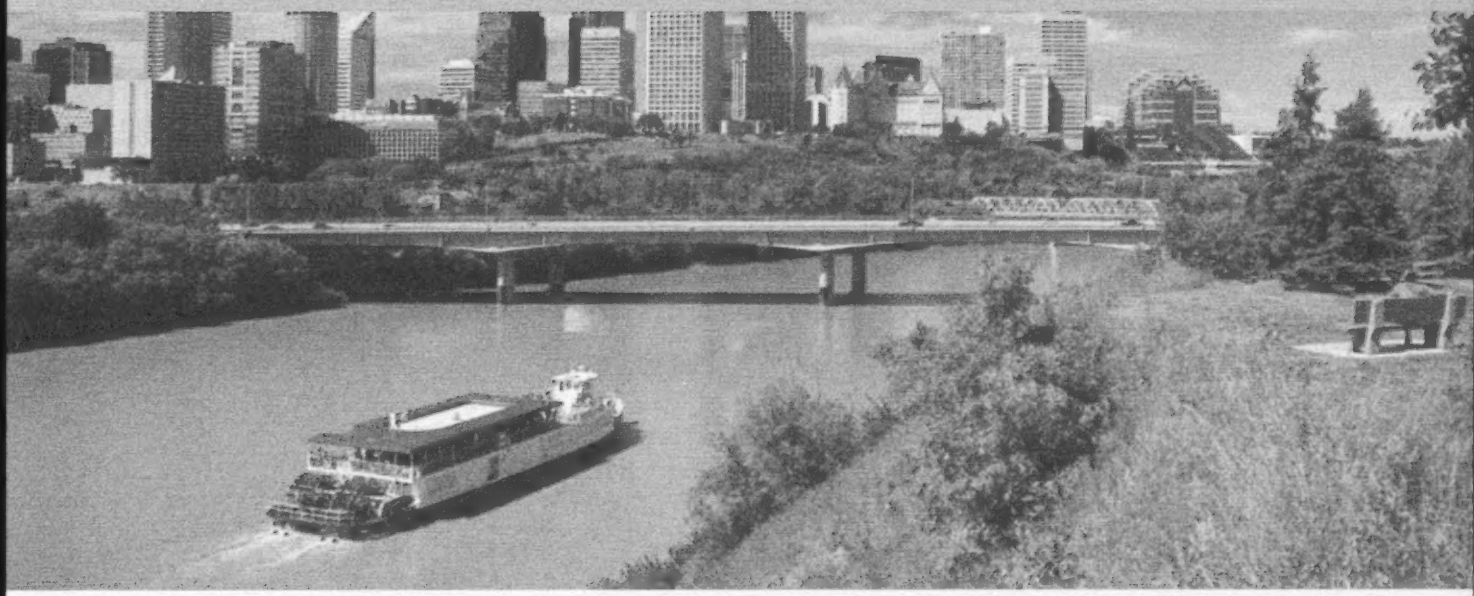
- Agent of Change Role – to conduct proactive and forward-looking projects based on the provision of strategic, risk and control-related consulting services to better serve the changing needs of the corporation and bring about improvement in program performance; and
- Guardian Role – to conduct projects directed primarily towards providing assurance through review of existing operations, typically focusing on compliance, efficiency, effectiveness, economy and controls.

2014 Budget

In June and July 2013, Administration provided Council a forecast of the 2014 operating budget, including impacts of capital and cost pressures, as well as strategies that would be used to mitigate the 2014 tax rate increase. Based on this and other economic and contextual information, following deliberations in December 2013, Council approved a total tax rate increase of 4.9 per cent for 2014. This included 3.4 per cent for civic services (inclusive of boards and commissions) and 1.5 per cent for the neighbourhood renewal program.

The Bylaw to establish the 2014 municipal tax for all property types (including commercial and industrial) will be set by City Council in April 2014. Changes to the operating budget which impact the tax levy may be completed prior to the taxation bylaw approval. Property taxes are one of the funding sources used to provide the services and infrastructure approved in the budget. The budget also includes selected increases in user fees for various municipal services including transit fares, various recreational facility fees, and permit fees, and realigns budgets to improve delivery of core services.

The 2012 - 2014 capital budget was approved by Council in December 2011, based on capital priorities and funding identified in the 10-year 2012 – 2021 Capital Investment Agenda. The 2013 capital budget constitutes the second year of City Council's three-year (2012 – 2014) capital budget approval. The level of capital spending from 2009 to 2013 has accelerated key growth projects and focused aggressively on maintaining existing infrastructure. The 2012 - 2014 capital budget approved spending $4,492.6 million for capital projects, which includes amounts carried forward for projects not completed at the end of the previous budget cycle. Significant capital projects planned for 2014 include the completion of the North LRT and multi-purpose recreation centers, reconstruction and maintenance of older communities through the Neighbourhood Renewal Program, replacement of the century-old Walterdale bridge, continued arterial roadwork, and revitalization the downtown core through initiatives such as the Downtown Arena and Entertainment District and Quarters Downtown. On February 11, 2014 City Council announced that the guaranteed maximum price (GMP) for the Downtown Arena and Entertainment District was met at $606.5 million, including $480.0 million for construction of Rogers Place (downtown arena). Construction of Rogers Place started in early 2014, and is scheduled to be completed in the fall of 2016. On March 11, 2014, as the province announced $400 million in provincial funding and a $200 million interest free loan to be provided to the City in order to complete the Southeast to West LRT expansion.



Long-term Sustainability and Risk Management

As with any municipality there are constant pressures in providing services and service enhancements at a reasonable and affordable cost, balancing the investment between infrastructure growth and renewal projects and ensuring risks are properly managed. The City is committed to an integrated approach to risk management, where it is a critical component of the City's long term sustainability. A number of strategies are in place or being developed to mitigate risks faced by the City and to address the ongoing operating and capital funding gaps to ensure the long-term sustainability of the City, including securing provincial and federal funding to advance major priority projects.

Integral to achieving financial sustainability is the continuing use of a comprehensive Enterprise Risk Management Framework. A number of risk management activities are undertaken on an ongoing basis across the corporation.

- A corporate Risk Management area provides risk management advice, claims adjusting, purchase of insurance and completes risk control inspections.
- There is an ongoing proactive analysis of the physical, contractual and insurance risks associated with capital projects or major initiatives and appropriate measures are established to identify and control project risk.
- Environmental risks are monitored through the Contaminated Gas Stations Task Force and through the use of Envisio – the City's environmental management system that aids effective management of environmental risks and responsibilities.
- The City continues to monitor economic conditions and impacts on the City's financial status so that strategies can be adjusted accordingly. For example, hedges are purchased for future fuel purchases when deemed beneficial, in order to stabilize operating budgets in the face of fuel price volatility. The Financial Stabilization Reserve may be used to address emergent needs faced by the City. As recently seen with the Rogers Place construction project, GMP's are established in order to insulate the City from cost overruns on large projects.

The Way We Finance is under development as one of six corporate directional plans that set the course for the City to achieve its 10-year goals and ultimately the City vision. The

plan will outline guiding principles to ensure continued sound fiscal management and financial sustainability.

City Council's utility fiscal policies govern the financial relationship between the City and each of the municipally owned or operated utilities. These policies require each utility to charge sufficient rates to recover all operating costs, repay capital debt and earn a return on the City's equity investment. The policies also require the sanitary and stormwater drainage utilities to pay the City a franchise fee on utility revenue. The City's waste management utility is exempt from paying a franchise fee to the City.

The City, along with the City of Calgary, entered into a Memorandum of Understanding with the Government of Alberta in mid 2012 to explore options for a legislative framework that recognizes the evolving needs of each city's individual relationship with the provincial government. Work is ongoing to identify and review options.

Edmonton's population is expected to nearly double in the coming three decades to over 1.5 millions people. With Alberta's robust oil and gas industry, and Edmonton's role as gateway to the North, Edmonton's business employment growth is expected to remain strong.

Edmonton needs to grow in line with the economy, but our residential and business employment lands inventory is critically low in both the southwest and southeast areas of the City, where demand is the highest. The City of Edmonton has begun an annexation process to acquire land south of its boundary.

Conclusion

In spite of subdued growth in many areas of Canada in 2013, Edmonton continued to see steady growth, as demonstrated through the region's economy expanding at 3.8 per cent – one of the best growth results among Canadian municipalities.

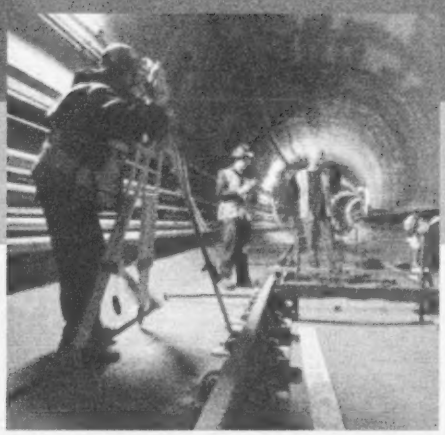
In September 2013, Standard & Poor's affirmed their rating of the City of Edmonton as AA+/Stable. The rating was based on strong liquidity, a healthy economy, lack of significant contingent liabilities, and solid financial management and budgetary performance. The sizable and ongoing capital spending since 2008 leading to a steadily rising debt burden and concentration of the economy in the energy sector have been noted as challenges moving forward.

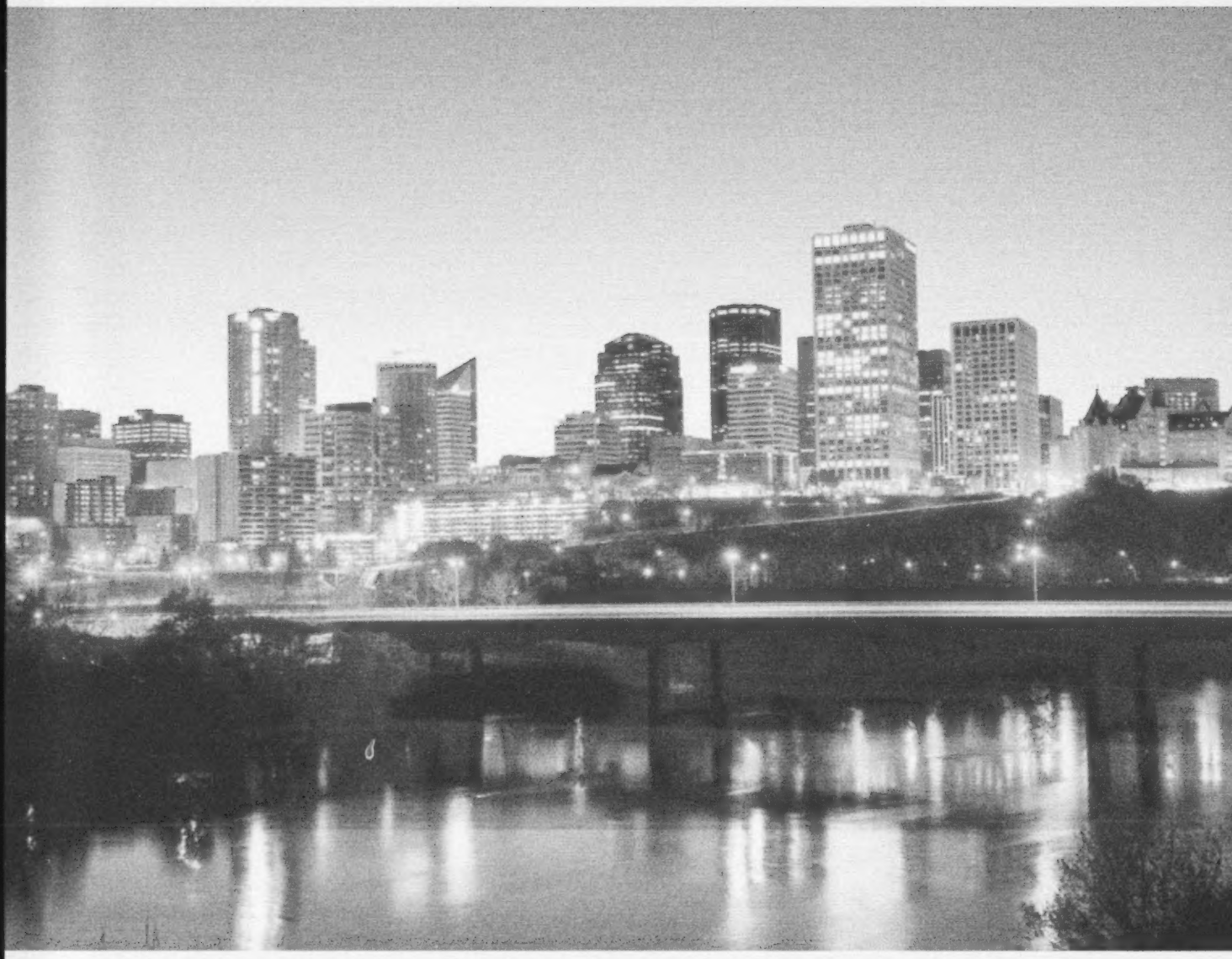
The directional plans (the Ways) set ambitious goals for the City. Highlights include LRT expansion, a Downtown Arena and Entertainment District, establishment of City-owned Waste RE-solutions for Edmonton to market our waste management expertise nationally and internationally, Quarters Downtown development, redevelopment of the City Centre airport lands, and continued emphasis on neighbourhood renewal and multi-purpose recreation centers. The City will continue to be challenged to manage emerging competing financial needs as the major centre for the region, and to maintain existing services while addressing service and infrastructure needs associated with the growth. The City's long-term financial plan, *The Way We Finance*, will outline guiding principles to ensure continued sound fiscal management and long-term financial sustainability.

Lorna Rosen, CMA, MBA
Chief Financial Officer and Treasurer
General Manager
Financial Services and Utilities

April 29, 2014

CONSOLIDATED FINANCIAL STATEMENTS





Management's Responsibility for Financial Reporting

Management of the City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information within this Annual Report. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

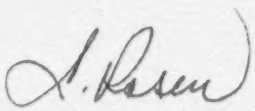
To assist in meeting its responsibility, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and judgments of management. Financial data elsewhere in the Annual Report is consistent with that of the consolidated financial statements.

Prior to their submission to City Council, the consolidated financial statements have been reviewed and recommended for approval by the Audit Committee. The consolidated financial statements have been audited by the independent firm of KPMG LLP, Chartered Accountants. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements, follows.

S. Farbrother, MCIP, RPP, MA
City Manager

April 29, 2014



Lorna Rosen, CMA, MBA
Chief Financial Officer and Treasurer
General Manager
Financial Services and Utilities

Independent Auditors' Report

To His Worship the Mayor and Members of Council of the City of Edmonton

We have audited the accompanying consolidated financial statements of the City of Edmonton (the City), which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of the City as at December 31, 2013, and the consolidated results of its operations, consolidated changes in its net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

April 29, 2014
Edmonton, Canada

Consolidated Statement of Financial Position

December 31, 2013 (in thousands of dollars)

	2013	2012 (Restated) (Note 25)
Financial Assets		
Cash and temporary investments (Note 2)	**$ 204,809**	$ 226,510
Receivables (Note 3)	**409,022**	340,671
Investments (Note 4)	**1,348,920**	1,255,338
Debt recoverable (Note 5)	**53,336**	55,348
Land for resale	**230,546**	239,774
Investment in EPCOR (Note 19)	**2,262,223**	2,232,704
	4,508,856	4,350,345
Liabilities		
Accounts payable and accrued liabilities (Note 6)	**690,731**	599,444
Deposits	**41,607**	32,529
Deferred revenue (Note 7)	**103,448**	84,168
Employee benefit obligations (Note 8)	**128,263**	129,356
Landfill closure and post-closure care (Note 9)	**17,040**	17,811
Long-term debt (Note 10)	**2,426,187**	2,232,921
	3,407,276	3,096,229
Net Financial Assets	**1,101,580**	1,254,116
Non-financial Assets		
Tangible capital assets (Note 11)	**11,003,503**	10,201,928
Inventory of materials and supplies	**36,501**	32,743
Other assets (Note 12)	**17,809**	20,666
	11,057,813	10,255,337
Accumulated Surplus (Note 15)	**$ 12,159,393**	$ 11,509,453

Commitments and contingent liabilities (Notes 21 and 22)

See accompanying notes to consolidated financial statements.

Approved on behalf of City Council:

Mayor Don Iveson

Councillor Andrew Knack

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2013 (in thousands of dollars)

	Budget	2013	2012 (Restated) (Note 25)
Revenues			
Net taxes available for municipal purposes (Note 16)	$ 1,117,398	**$ 1,115,909**	$ 1,032,253
User fees and sale of goods and services	621,367	**632,377**	595,632
Subsidiary operations – EPCOR (Note 19)	161,310	**175,499**	18,083
Franchise fees	124,011	**127,327**	117,406
Government transfers – operating (Note 17)	111,319	**119,381**	110,758
Investment earnings	45,603	**104,294**	62,399
Fines and penalties	67,513	**78,449**	55,643
Licenses and permits	60,763	**68,748**	64,452
Developer and customer contributions - operating	1,290	**2,432**	3,444
	2,310,574	**2,424,416**	2,060,070
Expenses			
Transportation services:			
Bus and light rail transit	383,616	**380,994**	365,960
Roadway and parking	388,882	**373,418**	329,124
	772,498	**754,412**	695,084
Protective services:			
Police	354,299	**347,760**	329,656
Fire rescue	173,512	**174,184**	166,632
Bylaw enforcement	34,318	**34,491**	31,719
	562,129	**556,435**	528,007
Community services:			
Parks and recreation	189,465	**208,843**	178,707
Planning	75,781	**74,754**	68,222
Edmonton Public Library Board	50,329	**49,613**	46,882
Community and family	43,858	**37,555**	42,773
Convention and tourism	31,201	**31,137**	35,482
Public housing	39,191	**24,214**	35,248
	429,825	**426,116**	407,314
Utility and enterprise services:			
Waste Management	152,900	**151,400**	141,994
Drainage Services	129,947	**129,280**	109,849
Land Enterprise	33,928	**44,211**	26,262
Fleet Services	10,281	**36,528**	35,420
	327,056	**361,419**	313,525
Corporate administration	183,713	**172,258**	149,678
General municipal	143,566	**137,933**	116,010
Tax appeals and allowances	8,478	**10,851**	8,058
Pension adjustments and other	6,793	**11,755**	21,814
	2,434,058	**2,431,179**	2,239,490
Shortfall of Revenues over Expenses before other	(123,484)	**(6,763)**	(179,420)
Other			
Government transfers – capital (Note 17)	697,137	**380,960**	485,713
Developer contributed tangible capital assets (Note 11)	146,982	**219,599**	202,493
Developer and customer contributions – capital	84,058	**52,466**	39,894
Local improvements	8,386	**8,637**	8,315
Excess of Revenues over Expenses	813,079	**654,899**	556,995
Accumulated Surplus, beginning of year as restated	11,509,453	**11,509,453**	10,947,840
Subsidiary operations – EPCOR – IAS 19 adoption and other comprehensive income adjustments (Note 19)		**(4,959)**	4,618
Accumulated Surplus, end of year	$ 12,322,532	**$ 12,159,393**	$ 11,509,453

See accompanying notes to consolidated financial statements.

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2013 (in thousands of dollars)

	Budget	2013	2012 (Restated) (Note 25)
Excess of Revenues over Expenses	$ 813,079	**$ 654,899**	$ 556,995
Acquisition of tangible capital assets	(1,791,739)	**(1,016,111)**	(1,006,717)
Developer contributed tangible capital assets	(146,982)	**(219,599)**	(202,493)
Proceeds on disposal of tangible capital assets		**20,789**	1,618
Amortization of tangible capital assets	433,848	**405,347**	381,628
Net (gain) loss on disposal/replacement of tangible capital assets	(700)	**7,999**	3,980
	(1,505,573)	**(801,575)**	(821,984)
Net (acquisition) use of inventory of materials and supplies		**(3,758)**	407
Net use (acquisition) of other assets		**2,857**	(8,494)
		(901)	(8,087)
Subsidiary operations – EPCOR - IAS 19 adoption and other comprehensive income adjustments (Note 19)		**(4,959)**	4,618
		(4,959)	4,618
Decrease in Net Financial Assets	(692,494)	**(152,536)**	(268,458)
Net Financial Assets, beginning of year as restated	1,254,116	**1,254,116**	1,522,574
Net Financial Assets, end of year	$ 561,622	**$ 1,101,580**	$ 1,254,116

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2013 (in thousands of dollars)

	2013	2012 (Restated) (Note 25)
Net inflow (outflow) of cash and temporary investments:		
Operating Activities		
Excess of revenues over expenses	$ **654,899**	$ 556,995
Add (deduct) items not affecting cash and temporary investments:		
Subsidiary operations – EPCOR	**(175,499)**	(18,083)
Amortization of tangible capital assets	**405,347**	381,628
Net loss on disposal/replacement of tangible capital assets	**7,999**	3,980
Developer contributed tangible capital assets	**(219,599)**	(202,493)
Change in non-cash items:		
Receivables	**(68,351)**	86,346
Debt recoverable	**2,012**	1,923
Land for resale	**9,228**	(101,624)
Inventory of materials and supplies	**(3,758)**	407
Other assets	**2,857**	(8,494)
Accounts payable and accrued liabilities	**91,287**	116,952
Deposits	**9,078**	2,499
Deferred revenue	**19,280**	(25,537)
Employee benefit obligations	**(1,093)**	5,541
Landfill closure and post-closure care	**(771)**	(1,478)
	732,916	798,562
Capital Activities		
Acquisition of tangible capital assets	**(1,016,111)**	(1,006,717)
Proceeds on disposal of tangible capital assets	**20,789**	1,618
	(995,322)	(1,005,099)
Investing Activities		
Dividend from subsidiary (Note 19)	**141,021**	141,021
Net (increase) decrease in investments	**(93,582)**	91,056
	47,439	232,077
Financing Activities		
Promissory notes issued	**59,766**	99,685
Repayment of promissory notes	**(59,766)**	(159,547)
Debenture borrowings	**290,964**	344,292
Repayment of long-term debt	**(97,698)**	(85,190)
	193,266	199,240
(Decrease) increase in cash and temporary investments	**(21,701)**	224,780
Cash and temporary investments, beginning of year	**226,510**	1,730
Cash and temporary investments, end of year	$ **204,809**	$ 226,510

Operating activities for 2013 include $27,655 of interest received and $97,910 of interest paid. For 2012, interest of $26,582 was received and $91,271 was paid.

See accompanying notes to consolidated financial statements.

Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended December 31, 2013 (in thousands of dollars)

	Opening Balance	Additions	Disposals	**Closing Balance**
Cost				
Land	$ 1,174,482	$ 134,519	$ (19,095)	**$ 1,289,906**
Land improvements	764,693	41,868	(6,044)	**800,517**
Buildings	1,473,573	189,105		**1,662,678**
Machinery and equipment	644,482	79,288	(19,411)	**704,359**
Vehicles	915,546	40,390	(23,802)	**932,134**
Engineered structures				
Roadway system	5,720,290	278,551	(41,842)	**5,956,999**
Drainage system	2,604,866	218,627		**2,823,493**
Light rail transit	797,294	12,635	(1,146)	**808,783**
Waste	161,732	819		**162,551**
Bus system	127,581	7,249		**134,830**
Other	19,319	634	(2,054)	**17,899**
	14,403,858	1,003,685	(113,394)	**15,294,149**
Assets under construction	1,438,353	232,025		**1,670,378**
	15,842,211	1,235,710	(113,394)	**16,964,527**
Accumulated Amortization				
Land improvements	333,831	21,731	(6,044)	**349,518**
Buildings	674,254	48,906		**723,160**
Machinery and equipment	381,172	53,495	(19,202)	**415,465**
Vehicles	360,183	56,512	(22,711)	**393,984**
Engineered structures				
Roadway system	2,903,196	157,808	(34,459)	**3,026,545**
Drainage system	572,036	36,143		**608,179**
Light rail transit	262,193	18,929	(1,113)	**280,009**
Waste	101,531	5,554		**107,085**
Bus system	47,519	5,225		**52,744**
Other	4,368	1,044	(1,077)	**4,335**
	5,640,283	405,347	(84,606)	**5,961,024**
Net Book Value	$ 10,201,928	$ 830,363	$ (28,788)	**$ 11,003,503**

Additions to assets under construction are reported net of those tangible capital assets placed into service during the year, which are shown in their respective asset classifications.

See accompanying notes to consolidated financial statements.

Schedule 2 - Consolidated Schedule of Segment Disclosures (Note 24)

For the year ended December 31, 2013 (in thousands of dollars)

	Tax-Supported											
	Transportation Services	Protective Services	Community Services	Other Tax-Supported	Total	Waste Management	Drainage Services	Land Enterprise	Fleet Services	EPCOR	Other	2013
Revenues												
Net taxes available for municipal purposes	$	$	$	$1,115,727	$1,115,727	$	$	$ 182	$	$	$	**$ 1,115,909**
User fees and sales of goods and services	157,216	26,287	81,456	9,169	274,128	145,125	144,894	47,579	11,212		9,439	**632,377**
Subsidiary operations – EPCOR										175,499		**175,499**
Franchise fees				135,164	135,164		(7,837)					**127,327**
Government transfers – operating	18,004	26,112	25,130	45,933	115,179	3,701	169				332	**119,381**
Investment earnings	3		930	41,805	42,738	118	850	32	890		59,666	**104,294**
Fines and penalties		56,026	1,031	21,376	78,433						16	**78,449**
Licenses and permits	809	3,372	52,701	10,051	66,933		936				879	**68,748**
Developer and customer contributions – operating			2,355		2,355						77	**2,432**
Appropriation of earnings				21,461	21,461						(21,461)	
	176,032	111,797	163,603	1,400,686	1,852,118	148,944	139,012	47,793	12,102	175,499	48,948	**2,424,416**
Expenses												
Salaries, wages and benefits	288,199	436,626	204,730	206,205	1,135,760	36,719	60,923	1,994	65,925		3,157	**1,304,478**
Materials, goods and utilities	110,305	27,287	44,951	21,843	204,386	10,393	13,203	34,909	40,126		666	**303,683**
Contracted and general services	110,816	78,917	83,478	(4,741)	268,470	73,444	(3,279)	5,145	(116,069)		6,107	**233,818**
Interest and bank charges	38,912	560	18,904	11,595	69,971	9,879	16,560	924	1,883		563	**99,780**
Grants and other		422	40,016	32,282	72,720	3,331	10				13	**76,074**
Amortization of tangible capital assets	198,795	12,332	34,144	53,670	298,941	17,634	41,863	262	45,398		1,249	**405,347**
Loss (gain) on disposal/replacement of tangible capital assets	7,385	291	(107)	188	7,757			977	(735)			**7,999**
	754,412	556,435	426,116	321,042	2,058,005	151,400	129,280	44,211	36,528		11,755	**2,431,179**
Excess (shortfall) of Revenues over Expenses before other	(578,380)	(444,638)	(262,513)	1,079,644	(205,887)	(2,456)	9,732	3,582	(24,426)	175,499	37,193	**(6,763)**
Other												
Government transfers – capital	315,100	5,092	47,175	12,114	379,481		944		535			**380,960**
Developer contributed tangible capital assets	74,561		49,207	5,841	129,609		89,990					**219,599**
Developer and customer contributions – capital	21,836		5,458	76	27,370	3	25,093					**52,466**
Local improvements				8,637	8,637							**8,637**
	411,497	5,092	101,840	26,668	545,097	3	116,027		535			**661,662**
Excess (shortfall) of Revenues over Expenses	$(166,883)	$(439,546)	$ (160,673)	$1,106,312	$ 339,210	$ (2,453)	$ 125,759	$ 3,582	$ (23,891)	$ 175,499	$ 37,193	**$ 654,899**

See accompanying notes to consolidated financial statements.

Schedule 2 - Consolidated Schedule of Segment Disclosures (Note 24)

For the year ended December 31, 2012 (in thousands of dollars)

	Tax-Supported											
	Transportation Services	Protective Services	Community Services	Other Tax-Supported	Total	Waste Management	Drainage Services	Land Enterprise	Fleet Services	EPCOR	Other	2012 (Restated) (Note 25)
Revenues												
Net taxes available for municipal purposes	$	$	$	$1,032,253	$1,032,253	$	$	$	$	$	$	**$ 1,032,253**
User fees and sales of goods and services	145,671	25,552	80,721	8,591	260,535	134,780	132,156	48,558	10,707		8,896	**595,632**
Subsidiary operations – EPCOR										18,083		**18,083**
Franchise fees				124,145	124,145		(6,739)					**117,406**
Government transfers – operating	2,545	23,865	35,723	44,607	106,740	3,705					313	**110,758**
Investment earnings			528	34,492	35,020	234	309	43	164		26,629	**62,399**
Fines and penalties		36,202	993	18,428	55,623						20	**55,643**
Licenses and permits	714	3,461	47,914	9,999	62,088		871				1,493	**64,452**
Developer and customer contributions – operating			3,395		3,395						49	**3,444**
Appropriation of earnings				27,712	27,712						(27,712)	
	148,930	89,080	169,274	1,300,227	1,707,511	138,719	126,597	48,601	10,871	18,083	9,688	**2,060,070**
Expenses												
Salaries, wages and benefits	268,876	415,419	189,999	176,668	1,050,962	33,293	57,446	1,779	63,693		12,560	**1,219,733**
Materials, goods and utilities	89,331	29,831	40,594	22,385	182,141	9,776	12,901	14,320	39,391		618	**259,147**
Contracted and general services	101,131	69,910	74,022	(9,606)	235,457	69,650	(14,687)	8,836	(112,108)		6,610	**193,758**
Interest and bank charges	39,279	639	16,031	10,008	65,957	9,129	15,487	1,041	1,870		476	**93,960**
Grants and other		415	57,826	25,052	83,293	3,700					291	**87,284**
Amortization of tangible capital assets	192,067	11,548	28,949	49,239	281,803	16,446	38,702	286	43,132		1,259	**381,628**
Loss (gain) on disposal/replacement of tangible capital assets	4,400	245	(107)		4,538				(558)			**3,980**
	695,084	528,007	407,314	273,746	1,904,151	141,994	109,849	26,262	35,420		21,814	**2,239,490**
Excess (shortfall) of Revenues over Expenses before other	(546,154)	(438,927)	(238,040)	1,026,481	(196,640)	(3,275)	16,748	22,339	(24,549)	18,083	(12,126)	**(179,420)**
Other												
Government transfers – capital	439,347	16,183	20,241	9,329	485,100	99			514			**485,713**
Developer contributed tangible capital assets	56,483		37,565	533	94,581		107,873		39			**202,493**
Developer and customer contributions – capital	9,403	22	4,741	2,179	16,345		23,549					**39,894**
Local improvements				8,315	8,315							**8,315**
	505,233	16,205	62,547	20,356	604,341	99	131,422		553			**736,415**
Excess (shortfall) of Revenues over Expenses	$ (40,921)	$(422,722)	$ (175,493)	$1,046,837	$ 407,701	$ (3,176)	$ 148,170	$ 22,339	$ (23,996)	$ 18,083	$ (12,126)	**$ 556,995**

See accompanying notes to consolidated financial statements.

The City of Edmonton (the City) is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act, R.S.A., 2000, c. M-26, as amended (MGA).

1. Significant Accounting Policies

The consolidated financial statements (the financial statements) of the City are prepared by management in accordance with Canadian public sector accounting standards (PSAS). Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting Entity

The financial statements reflect the revenues, expenses, assets, liabilities and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. In addition to general government tax-supported departments, they include the following:

Edmonton Public Library Board
Edmonton Economic Development Corporation
Drainage Services Utility (Sanitary Drainage Services, Stormwater Drainage Services and Drainage Design and Construction)
Waste Management
2492369 Canada Corporation, operating as Waste RE-solutions Edmonton
Fleet Services
Land Enterprise (Land Development and Municipal Land Use Property)
Ed Tel Endowment Fund
The City of Edmonton Non-Profit Housing Corporation (Non-Profit Housing Corporation)
Fort Edmonton Management Company
Edmonton Combative Sports Commission

Interdepartmental and inter-organizational transactions are eliminated.

EPCOR Utilities Inc. (EPCOR), a subsidiary corporation of the City, is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for a government business enterprise (Note 19). Under the modified equity basis, the government business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. Other comprehensive income (loss) due to fair value adjustments is reported on the Consolidated Statement of Operations and Accumulated Surplus as an adjustment to Accumulated Surplus.

The financial statements exclude trust assets under administration for the benefit of external parties (Note 23).

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Expenses are recognized as they are incurred and measurable based upon receipt of the goods and services and/or the legal obligation to pay.

Operating budget information is consistent with amounts approved by City Council in April 2013, with the passing of Bylaw 16377 - 2013 Property Tax and Supplementary Property Tax Bylaw. The budget is reported on an accrual basis, consistent with principles applied in the financial statements.

Capital budgets reflect the 2013 budget originally approved by Council in December 2011 as a part of the overall 2012-2014 capital budget, plus any carry forward of unspent capital budget from 2012. Capital budget adjustments made as part of the spring and fall supplementary capital budget adjustment process are not reflected.

c) Use of Estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Administration has used estimates to determine employee benefit obligations, pension obligations relating to City-sponsored pension plans, landfill closure and post-closure care obligations, accrued liabilities including estimates for expropriation of municipal lands, tangible capital asset useful lives as well as provisions made for allowances for amounts receivable or any provision for impairment of investment values.

d) Foreign Currency

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31 and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions or at rates of exchange established by the terms of a forward foreign exchange contract. Gains (losses) on foreign currency translation are included as revenues (expenses).

e) Tax Revenue

Annually, the City bills and collects property tax revenues for municipal purposes. Tax revenues are based on market value assessments determined in accordance with the MGA and annually established tax rates. Municipal tax rates are set each year by City Council in accordance with legislation and City Council-approved policies to raise the tax revenue required to meet the City's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. A provision has been recorded in accounts payable and accrued liabilities for potential losses on assessment appeals outstanding at December 31. Expenses related to tax appeals and allowances are separately disclosed in the Consolidated Statement of Operations and Accumulated Surplus.

The City also bills and collects education tax on behalf of the Province of Alberta (the Province). Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis. Education taxes collected are remitted to the Province and are excluded from revenues and expenses in the Consolidated Statement of Operations and Accumulated Surplus (Note 16).

The City adopted the new PSAS standard PS3510, *Tax Revenue* in 2013. As a result of the adoption of this new standard the City changed its accounting policy for the recognition of local improvements. The impact of the change in accounting policy is disclosed in note 25. There were no other impacts on the City's accounting policies or reporting.

f) Government Transfers

Government transfers are the transfer of monetary assets or tangible capital assets from other orders of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future. The City receives government transfers from the Federal and Provincial governments to fund operating and capital expenditures. These transfers to the City are recognized as revenues when the transfers are authorized and all the eligibility criteria, if any, have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received, along with restricted interest thereon are recorded as deferred revenue.

Authorized transfers from the City to other organizations or individuals are recorded as an expense when the transfer has been authorized and the eligibility criteria, if any, have been met by the recipient. The majority of transfers made by the City are in the form of grants or subsidies.

The City adopted revised PSAS standard PS3410, *Government Transfers* in 2013 with no impact on the City's accounting policies or reporting.

g) Local Improvements

When a service or improvement is deemed to benefit a specific area more than the municipality as a whole, the project may be classified as a local improvement under the MGA, to be paid in whole or in part by a tax imposed on the benefiting property owners. The property owners' share of the improvements is recognized as revenue, and established as a receivable, in the period that the project expenditures are completed. This accounting policy was adopted in the current year on a retroactive basis as disclosed in Note 25.

h) Land for Resale

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

i) Investments

Fixed income investments are recorded at amortized cost. Purchase premiums and discounts are amortized on the net present value basis over the terms of the issues. Investments in common and preferred shares are recorded at cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Any net undistributed realized losses in multi-unit investment trusts managed by the City are recorded.

j) Debt Recoverable

Debt recoverable consists of amounts that are recoverable under loans made to non-profit organizations, relating to City outstanding long-term debt. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long-term debt balances as at December 31.

k) Non-financial Assets

Non-financial assets are not available to discharge liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. Non-financial assets are comprised of tangible capital assets, inventory of materials and supplies, and other assets.

i) **Tangible capital assets**
Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest charges during construction are not capitalized. The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	20 to 50 years
Buildings	10 to 60 years
Machinery and equipment	3 to 50 years
Vehicles	9 to 35 years
Engineered structures	7 to 100 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) **Contributed tangible capital assets**
Tangible capital assets acquired as contributions are recorded at their fair value on the date received. Equivalent amounts are recorded as Developer contributed tangible capital assets on the Consolidated Statement of Operations and Accumulated Surplus.

iii) Leases
Leases are classified as capital or operating leases. Leases which transfer substantially all benefits and risks incidental to ownership of property are accounted for as capital leases. Assets under capital lease are included within the respective asset classifications. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv) Land under roads
Land under roads that is acquired other than by a purchase agreement is valued at a nominal amount.

v) Inventory of materials and supplies
Inventory of materials and supplies is valued at the lower of average cost and replacement cost.

vi) Cultural, historical, and works of art
The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

l) Employee Benefit Obligations

The costs of post employment benefits, compensated absences and termination benefits are recorded as an expense when the event that gives rise to the obligation occurs.

City employees participate in multi-employer pension plans that are administered by third parties. Obligations related to plan deficiencies are not recorded for these multi-employer pension plans as the City's share is not determinable. Contributions to multi-employer plans for current and past service are recorded as expenses in the year in which they become due.

Costs related to City-sponsored registered and non-registered defined benefit pension plans are recognized when earned by plan members. Plan obligations are actuarially determined using the projected benefit method prorated on service, applying management's best estimates of expected retirement ages of employees, salary and benefit escalation, plan investment performance and discount rates.

Actuarial gains and losses for active plans are amortized on a straight-line basis over the expected average remaining service life of the related employee group. Adjustments arising from prior service costs relating to plan amendments and changes in the valuation allowance are recognized in the period in which the adjustment occurs. The City records the actuarially determined net fund asset or liability for City-sponsored registered pension plans. For jointly sponsored plans, the City records its proportionate share of that asset or liability.

m) Reserves for Future Expenditures

Certain amounts, as approved by City Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

n) Equity in Tangible Capital Assets

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets, after deducting the portion financed by long-term debt.

o) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to PSAS. In 2014, the City will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in PS1201, *Financial Statement Presentation*, PS3450, *Financial Instruments*, PS2601, *Foreign Currency Translation* and PS3041, *Portfolio Investments* must be implemented at the same time.

i) Liability for Contaminated Sites

PS3260, *Liability for Contaminated Sites* establishes standards on remediation, recognition and measurement and provides requirements for financial statement presentation and disclosure. The City continues to review policies, procedures and systems to ensure consistent and accurate identification and estimation of liabilities associated with contaminated sites. This standard is applicable for fiscal years beginning on or after April 1, 2014.

ii) Financial Statement Presentation

PS1201, *Financial Statement Presentation*, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2016.

iii) Financial Instruments

PS3450, *Financial Instruments* establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2016.

iv) Foreign Currency Translation

PS2601, *Foreign Currency Translation*, which replaces the current PS2600, *Foreign Currency Translation*, is applicable for fiscal years beginning on or after April 1, 2016. This standard requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses.

v) Portfolio Investments

Section PS3041, *Portfolio Investments* has removed the distinction between temporary and portfolio investments. This section was amended to conform to PS3450, *Financial Instruments*, and now includes pooled investments in its scope. Upon adoption of PS3450 and PS3041, PS3030, *Temporary Investments* will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2016.

2. Cash and Temporary Investments

	2013	2012
Cash	$ **3,773**	$ 2,330
Temporary investments	**208,576**	239,414
Cheques outstanding in excess of deposits	**(7,540)**	(15,234)
	$ **204,809**	$ 226,510

Temporary investments consist of bankers' acceptances, treasury bills and commercial paper, at cost, which approximates market value. These investments have effective interest rates of 0.01 to 1.35 per cent (2012 - 0.0 to 2.03 per cent) and generally mature within ninety days. Temporary investments are capable of reasonably prompt liquidation and may be used to manage the City's cash position throughout the year.

The City has access to an unsecured line of credit of up to $100,000 to cover any bank overdrafts arising from day to day cash transactions. No amounts were outstanding on the line of credit overdraft as at December 31, 2013.

3. Receivables

	2013	2012 (Restated) (Note 25)
Taxes receivable	$ **49,569**	$ 44,077
Trade and other receivables	**160,420**	111,791
Local improvements receivable	**75,214**	73,324
Government transfers receivable:		
Municipal Sustainability Initiative program	**81,081**	72,150
Green Transit Incentives Program	**32,738**	19,033
Building Canada Fund	**10,000**	17,182
City Transportation Fund		3,114
	123,819	111,479
	$ **409,022**	$ 340,671

4. Investments

	Amortized Cost		Market Value	
	2013	2012	2013	2012
Cash	$ **871**	$ 1,867	$ **871**	$ 1,867
Amounts payable - net	**(1,322)**	(327)	**(1,322)**	(327)
Fixed income:				
Short-term notes and deposits	**3,846**	3,438	**3,748**	3,415
Government and government guaranteed bonds	**481,392**	439,975	**472,332**	444,989
Corporate bonds and debentures	**206,649**	147,545	**203,018**	150,349
	691,887	590,958	**679,098**	598,753
Common and preferred shares:				
Canadian	**213,204**	221,630	**246,796**	214,940
International	**353,229**	354,923	**359,076**	313,005
Global	**91,022**	86,258	**95,177**	87,613
	657,455	662,811	**701,049**	615,558
Other investments	**29**	29	**29**	29
	$ **1,348,920**	$ 1,255,338	$ **1,379,725**	$ 1,215,880

Short-term notes and deposits have effective interest rates of 0.0 to 1.6 per cent (2012 - 0.0 to 2.0 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 1.0 to 7.1 per cent (2012 - 1.1 to 6.6 per cent) with maturity dates from March 31, 2014 to April 9, 2063 (2012 - January 1, 2013 to June 21, 2067).

The market value of short-term notes and deposits include unrealized loss on futures contracts of $76 (2012 - gain of $23). See also Note 21 c).

Investments with a cost of $683,798 (2012 - $648,507) and market value of $708,839 (2012 - $617,934) are managed within the Ed Tel Endowment Fund, in accordance with City Bylaw 11713. An annual appropriation from the earnings of the Fund is withdrawn to support municipal operations, based upon a spending formula set out in the Bylaw. Any amendment to the Bylaw requires advertisement and a public hearing.

The cost of the fixed income investments exceeds market value as at December 31, 2013. Given the inherent interest rate volatility in the fixed income market, management is of the opinion that the loss in value is a temporary decline. No adjustment was made to reduce the carrying value of investments in the current year.

5. Debt Recoverable

Debt recoverable of $53,336 (2012 - $55,348) relates to amounts borrowed by the City and loaned to non-profit organizations in accordance with section 264 of the MGA. The amounts recoverable have the same general repayment terms as the respective debt. Debt recoverable matures in annual amounts to the year 2034 with interest rates ranging from 2.5 to 6.0 per cent (2012 - 2.5 to 6.0 per cent).

Principal and interest payments recoverable for the next 5 years and thereafter are as follows:

	Principal	Interest	Total
2014	$ 1,891	$ 2,689	$ 4,580
2015	1,766	2,599	4,365
2016	1,858	2,507	4,365
2017	1,955	2,410	4,365
2018	2,056	2,309	4,365
Thereafter	43,810	19,713	63,523
	$ 53,336	$ 32,227	$ 85,563

6. Accounts Payable and Accrued Liabilities

	2013	2012
Trade	**$ 438,509**	$ 390,858
Developer obligations	**120,517**	113,978
Payroll and remittances	**112,392**	76,278
Accrued interest	**17,379**	16,471
Other	**1,934**	1,859
	$ 690,731	$ 599,444

7. Deferred Revenue

Deferred revenue is comprised of the funds noted below, the use of which is externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified. Certain deferred revenues relate to government transfers as further described in Note 17.

	2012	Externally Restricted Contributions Received	Revenue Recognized	**2013**
Operating:				
Revenue in advance of service performed and other	$ 26,867	$ 17,831	$ 15,444	**$ 29,254**
Affordable Housing Municipal Block Funding	23,816	266	2,532	**21,550**
Development permits	12,235	11,645	10,236	**13,644**
	62,918	29,742	28,212	**64,448**
Capital:				
Provincial City Transportation Fund		116,532	94,159	**22,373**
North/South Trade Highway grant	7,470	160	4	**7,626**
Parks Community Initiatives	1,537	4,752	3,429	**2,860**
Major Community Facilities Program	3,463	42	1,050	**2,455**
Other	3,281	4,820	5,956	**2,145**
Alberta Innovation and Science Program	5,200	41	3,700	**1,541**
Federal Gas Tax Fund	299	43,605	43,904	
	21,250	169,952	152,202	**39,000**
	$ 84,168	$ 199,694	$ 180,414	**$ 103,448**

Certain government transfers under the Provincial City Transportation Fund and Alberta Innovation and Science Program are used to fund operating costs eligible under the terms of the grant. The Federal Gas Tax Fund is applied to fund operating debt servicing costs relating to the South Light Rail Transit (South LRT).

8. Employee Benefit Obligations

	2013	2012
Accrued vacation	**$ 68,196**	$ 71,107
Post-employment benefits	**20,905**	19,436
Banked overtime	**12,068**	10,943
Income replacement plan	**6,425**	7,452
Major medical and dental plans	**6,758**	6,942
Group Life Insurance Plan	**5,341**	5,559
Health care spending	**4,131**	3,845
Supplementary Management Retirement Plan	**3,424**	3,161
Other	**1,015**	911
	$ 128,263	$ 129,356

Post-employment benefits represent the City's cost, including the continuation of benefits for employees on long-term disability, and the City's share of pensioners' eligible medical, dental and other obligations.

In order to measure the post-employment obligation, an actuarial valuation was completed by Aon Hewitt as at December 31, 2013 regarding the continuation of benefit coverage while eligible employees are on long-term disability. The discount rate used in the valuation is 2.5 per cent (2012 – 3.0 per cent). The accrued benefit obligation as at December 31, 2013 is $17,120 (2012 – $15,769). The change is comprised of current service cost of $3,005 (2012 – $3,295), interest cost of $524 (2012 – $513), actuarial loss of $463 (2012 – actuarial gain of $543) and benefits paid during the year of $2,641 (2012 – $2,588).

Eligible post-employment medical and dental obligations are estimated based on a five year average of pensioners' claim costs in excess of contributions until the pensioners reach age 65. Eligible medical obligations for 2013 were $1,967 (2012 – $2,148). Eligible dental obligations for 2013 were $329 (2012 – $321). Other post-employment benefits were $1,488 (2012 – $1,198).

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April 1991. The outstanding obligation will be paid to employees in accordance with the terms and conditions of the plan. The obligation is based on an actuarial valuation as at December 31, 2013, completed by Aon Hewitt.

The City sponsors major medical, dental and other employee benefit plans, which are funded through employee and/or employer contributions. Premium contributions, interest earnings, payments for benefit entitlements, and administrative costs are applied to each of the respective plans.

A Group Life Insurance Plan is provided by the City, funded equally by employer and employees. The Plan is administered by Great West Life.

All permanent employees are entitled to a health care spending account providing reimbursement up to established limits for eligible expenses not covered under the Supplementary Health Care and Dental Plans. An estimate has been included in 2013 expenses of amounts not used in the current year that are eligible to be carried forward under the terms of the plan.

A Supplementary Management Retirement Plan for designated management employees was implemented effective for service beginning January 1, 2003. The accrued benefit liability for total current and past service costs of $3,424 (2012 – $3,161) has been based upon an actuarial valuation completed by Aon Hewitt as at December 31, 2013. Unamortized net losses of $3,138 (2012 – $2,309) will be amortized over the 8 year average remaining service period of active plan participants.

Other employee benefit obligations for 2013 include $306 (2012 – $199) for the Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan liability (Note 20c).

9. Landfill Closure and Post-closure Care

Under legislation, the City has a liability for closure and post-closure care costs for its landfill. The landfill site reached full capacity and was closed August 2009. The period for post-closure care is estimated to be 25 years. An amount of $17,040 (2012 – $17,811) has been accrued, representing the sum of the discounted future cash flows for closure and post-closure care activities, applying a discount rate at the City's average long-term borrowing rate of 4.2 per cent (2012 – 4.3 per cent) and an inflation rate of 2.25 per cent (2012 – 2.25 per cent).

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively, as a change in estimate, when applicable.

The City has entered into a contract with Beaver Regional Waste Management Services Commission for the provision of landfill capacity effective February 26, 2007 through February 26, 2027, with a further option for the City to extend the term for ten additional years. Under the terms of the agreement the City pays the Commission tipping fees per tonne of waste delivered to the site and has committed to send a minimum of 70,000 tonnes per year. The City continues to exceed the minimum annual requirement.

10. Long-term Debt

a) Debt payable

Debt payable includes the following amounts:

	2013	2012
Debentures	**$ 2,608,388**	$ 2,520,304
Mortgages	**18,341**	21,015
	2,626,729	2,541,319
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR	**134,308**	152,316
Sinking Fund assets	**66,234**	156,082
	2,426,187	2,232,921
Long-term debt is comprised of:		
Self-liquidating debt	**813,576**	767,810
Tax-supported debt	**1,612,611**	1,465,111
	$ 2,426,187	$ 2,232,921

The amount receivable from EPCOR relates to debentures issued in the name of the City on behalf of EPCOR. The repayment terms are the same as the respective debt with the exception of debt relating to the Gold Bar Wastewater Treatment Facility which is based on a blended semi-annual repayment schedule.

Outstanding debentures of $100,000 are secured by Sinking Fund assets with a carrying value of $66,234 (market value - $67,697) and required earnings of 5.0 per cent (2012 - 5.0 per cent). These assets are comprised of short-term notes and deposits, government and government guaranteed bonds and corporate bonds and debentures. Government and government guaranteed bonds include debentures of the City of Edmonton with a carrying value of $10,326 (market value - $11,295).

Short-term notes and deposits within the Sinking Fund have an effective interest rate of 0.0 to 1.6 per cent (2012 - 0.0 to 2.0 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 1.2 to 4.2 per cent (2012 - 1.1 to 5.9 per cent) with maturity dates from November 24, 2017 to October 1, 2019 (2012 - March 8, 2013 to April 25, 2042).

Funds from the Federal Gas Tax Fund are directed to cover principal and interest payments for tax-supported debt relating to the South LRT. Outstanding principal for the South LRT debt at December 31, 2013 is $468,815 (2012 - $490,443).

Principal and interest payments on long-term debt for the next five years and thereafter are as follows:

Principal:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Less: Sinking Fund Principal	Net Payment
2014	$ 55,250	$ 64,942	$ 120,192	$ 7,716	$ 3,024	$ 109,452
2015	55,117	127,749	182,866	7,554	3,024	172,288
2016	55,774	70,681	126,455	7,584	3,024	115,847
2017	55,433	133,744	189,177	7,426	3,024	178,727
2018	53,689	76,050	129,739	7,172	3,024	119,543
Thereafter	653,975	1,139,445	1,793,420	63,090		1,730,330
	$ 929,238	$ 1,612,611	$ 2,541,849	$ 100,542	$ 15,120	$ 2,426,187

Interest:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2014	$ 50,215	$ 65,159	$ 115,374	$ 14,048	$ 101,326
2015	47,833	62,350	110,183	13,636	96,547
2016	45,405	57,675	103,080	13,221	89,859
2017	42,939	54,609	97,548	12,801	84,747
2018	40,470	50,314	90,784	12,381	78,403
Thereafter	230,542	366,593	597,135	19,380	577,755
	$ 457,404	$ 656,700	$ 1,114,104	$ 85,467	$ 1,028,637

Total Payments:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Less: Sinking Fund Principal	Net Payment
2014	$ 105,465	$ 130,101	$ 235,566	$ 21,764	$ 3,024	$ 210,778
2015	102,950	190,099	293,049	21,190	3,024	268,835
2016	101,179	128,356	229,535	20,805	3,024	205,706
2017	98,372	188,353	286,725	20,227	3,024	263,474
2018	94,159	126,364	220,523	19,553	3,024	197,946
Thereafter	884,517	1,506,038	2,390,555	82,470		2,308,085
	$ 1,386,642	$ 2,269,311	$ 3,655,953	$ 186,009	$ 15,120	$ 3,454,824

Payments of offsetting EPCOR receivable and Sinking Fund principal amounts relate to self-liquidating debt. The above amounts do not include annual Sinking Fund required earnings.

b) Debt and debt service limits

A Regulation under section 271 of the MGA requires that debt, debt limit and debt service (principal and interest payments) limits be disclosed. The debt limit, as defined in the Regulation, is two times consolidated revenue net of capital government transfers and developer contributed tangible capital assets. As allowed under the Regulation, the revenue from the EPCOR subsidiary operations are eliminated in calculating the debt limits. Consistently, debt and debt service costs relating to EPCOR are also excluded from the calculation. The debt service limit is calculated at 0.35 times of the same revenue. Incurring debt beyond these limits requires approval by the provincial Minister of Municipal Affairs.

The City's position with respect to the debt and debt service limits is as follows:

	2013	2012 (Restated) (Note 25)
Total debt limit	**$ 4,620,040**	$ 4,180,392
Total debt	**2,426,187**	2,232,921
Percentage used (%)	**52.51**	53.41
Total debt service limit	**$ 808,507**	$ 731,569
Total debt service	**255,778**	223,516
Percentage used (%)	**31.64**	30.55

c) Maturities and interest rates

Existing long-term debt matures in annual amounts to the year 2038 and debenture interest is payable, at rates ranging from 1.6 to 8.5 per cent (2012 - 1.6 to 9.0 per cent). The average annual interest rate is 4.2 per cent for 2013 (2012 - 4.3 per cent).

d) Interest on long-term debt

	2013	2012
Self-liquidating debt	$ 51,547	$ 58,676
Tax-supported debt	62,217	57,545
	113,764	116,221
Less payments on offsetting amounts receivable	16,465	24,894
Long-term debt interest included in interest and bank charges	$ 97,299	$ 91,327

11. Tangible Capital Assets

	Net Book Value 2013	2012
Land	$ 1,289,906	$ 1,174,482
Land improvements	450,999	430,862
Buildings	939,518	799,319
Machinery and equipment	288,894	263,310
Vehicles	538,150	555,363
Engineered structures:		
Roadway system	2,930,454	2,817,094
Drainage system	2,215,314	2,032,830
Light rail transit	528,774	535,101
Waste	55,466	60,201
Bus system	82,086	80,062
Other	13,564	14,951
	9,333,125	8,763,575
Assets under construction	1,670,378	1,438,353
	$ 11,003,503	$ 10,201,928

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1)

$219,599 in land, land improvements and engineered structures were contributed to the City in 2013 (2012 - $202,493) and were represented at fair value at the time received as developer contributed tangible capital assets.

12. Other Assets

	2013	2012
Prepaid expenses - operational	$ 10,460	$ 13,132
Benefit plan asset	7,349	7,534
	$ 17,809	$ 20,666

13. Equity in Tangible Capital Assets

	2013	2012
Tangible capital assets (Schedule 1)	$ 16,964,527	$ 15,842,211
Accumulated amortization (Schedule 1)	(5,961,024)	(5,640,283)
Long-term debt (Note 10)	(2,426,187)	(2,232,921)
Debt recoverable (Note 5)	53,336	55,348
	$ 8,630,652	$ 8,024,355

14. Reserves for Future Expenditures

	2013	2012 (Restated) (Note 25)
General Government:		
Financial stabilization	$ 106,577	$ 93,614
Local improvement	82,101	77,988
Current planning	25,058	25,685
Financial stabilization – appropriated	18,971	33,009
LRT	17,407	18,334
Affordable housing	14,628	10,065
Parkland reserve	11,604	11,746
Funds in Lieu - residential	10,645	10,399
Natural areas	8,631	7,870
Tax-supported debt	6,818	6,199
Enterprise portfolio/Commonwealth Stadium	6,691	6,137
Perpetual care	6,290	5,243
Heritage resources	3,544	3,179
Tree management	3,122	2,169
Self insurance – vehicles	2,500	2,500
Development incentive	2,035	1,466
Façade & storefront improvements	1,712	1,668
Aggregate site	1,460	1,335
Other	868	602
Neighbourhood renewal	402	
Northlands – capital		1,146
Industrial Servicing Fund	(280)	(3,726)
Community revitalization levy - Belvedere	(3,806)	(2,993)
Community revitalization levy - Quarters	(5,384)	(1,453)
	321,594	312,182
Fleet Services – vehicle replacement	16,036	15,314
Edmonton Economic Development Corporation	1,529	1,946
Edmonton Public Library Board	1,247	3,001
Non-Profit Housing Corporation	1,099	1,002
Fort Edmonton Management Company	405	
	$ 341,910	$ 333,445

The City invests in public infrastructure within a community revitalization levy area, which is intended to spur new development. The property tax revenue from the new development, along with any revenue from property sales or a lift in the value of existing property within the area, is directed to paying the costs of the infrastructure, including financing costs, for up to twenty years. Timing differences between incurring costs and the collection of tax revenues have created deficit balances in the community revitalization levy reserves at the end of 2013. Future community revitalization levy tax revenues will fund the existing shortfalls.

The Industrial Servicing Fund reserve is used to provide rebates to developers that undertake construction of certain cost shareable infrastructure. The source of funding for the rebates is 50 per cent of the incremental property tax from the related new development. Timing differences between costs of development and collection of incremental property tax revenues have created a deficit balance, to be funded by future incremental property tax revenues.

15. Accumulated Surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets.

	2013	2012 (Restated) (Note 25)
General government operations	$ 9,617	$ 20,051
Excess earnings on Sinking Fund	3,899	4,104
Restricted surplus:		
Pension and benefits	16,778	17,893
Drainage Services Utility	33,612	50,261
Land Enterprise	135,538	137,034
Fleet Services	(16,858)	(13,671)
Waste Management	(11,836)	(9,910)
Ed Tel Endowment Fund	683,797	648,507
EPCOR Utilities Inc.	2,262,223	2,232,704
Non-Profit Housing Corporation	1,364	1,442
Edmonton Public Library Board	1,315	982
Edmonton Economic Development Corporation	6,718	1,134
Vehicle for hire	659	622
Edmonton Combative Sports Commission	(45)	(190)
Fort Edmonton Management Company	1,706	918
Reserves for future expenditures (Note 14)	341,910	333,445
Equity in tangible capital assets (Note 13)	8,630,652	8,024,355
Advances for construction	58,344	59,772
	$ 12,159,393	$ 11,509,453

16. Net Taxes Available for Municipal Purposes

	2013	2012 (Restated) (Note 25)
Taxes:		
Property taxes	**$ 1,464,705**	$ 1,376,511
Special tax – alley lighting	**1,046**	1,078
Community revitalization levy - Quarters	**601**	487
Community revitalization levy - Belvedere	**182**	
Revenue in lieu of taxes	**43,766**	40,174
Other	**7,815**	7,240
	1,518,115	1,425,490
Less taxes on behalf of:		
Education	**399,047**	390,227
Business revitalization zones	**3,159**	3,010
	402,206	393,237
Net taxes available for municipal purposes	**$ 1,115,909**	$ 1,032,253

The City is required to levy taxes under section 353 of the MGA towards payment of education requisitions. Education tax revenues are recorded at the amounts levied. Actual taxes levied over/under the amount requisitioned are recorded as an adjustment to trade and other receivables.

An amount of education taxes payable of $1,935 on supplementary levies has been recorded at December 31, 2013 (2012 – $1,859) within accounts payable and accrued liabilities.

Local improvement levies are not included in net taxes available for municipal purposes and are reflected separately on the Consolidated Statement of Operations and Accumulated Surplus.

17. Government Transfers

	2013	2012
Operating transfers:		
Federal	**$ 44,646**	$ 44,344
Provincial	**74,735**	66,414
	119,381	110,758
Capital transfers:		
Federal	**35,119**	60,282
Provincial	**345,841**	425,431
	380,960	485,713
Total Government Transfers	**$ 500,341**	$ 596,471

In 2011, the Minister of Transportation approved initial projects under the Green Transit Incentives Program (Green TRIP) to support the provincial public transportation initiatives that contribute towards environmental benefits. In 2013, the City received $75,000 (2012 - $197,004), earned interest of $0 (2012 - $459) and temporary rental income of $37 (2012 - $24) and recorded $88,742 (2012- $150,888) as capital government transfers. A receivable of $32,738 (2012 - $19,033) has been recorded.

In 2011, an agreement through the Building Canada Fund was signed for the North Light Rail Transit expansion. In 2013, the City received $41,996 (2012 - $48,004) and recorded $34,814 (2012 - $49,045) as capital government transfers. A receivable has been recorded for $10,000 (2012 - $17,182).

The Provincial Government has provided grants under a Major Community Facilities Program (MCFP) for the Terwillegar Community Recreational Centre, Muttart Conservatory, North Branch Library and Fred Broadstock Pool projects. In 2013, $1,050 (2012 - $1,440) has been recognized as revenue and $2,455 (2012 - $3,463) has been recognized as deferred revenue including interest of $42 (2012 - $58).

In 2008, the Province introduced a grant for Affordable Housing Program Municipal Block Funding. The grant is administered through the City's Cornerstone program to assist qualified applicants to purchase or renovate existing rental accommodation units, to construct new units and to develop secondary suites and transitional housing. In 2013, the City received $0 (2012 - $0) and recognized operating government transfers of $2,532 (2012 - $12,308). $21,550 (2012 - $23,816) has been recognized as deferred revenue including interest of $266 (2012 - $338). $0 (2012 - $215) has been recognized as capital government transfers.

In 2007, the Provincial government introduced the Municipal Sustainability Initiative (MSI) program to provide municipalities with sustainable funding. The City received $170,430 in 2013 (2012 - $167,015) and recognized $172,531 (2012 - $173,810) including interest of $42 (2012 - $66) as capital government transfers and $6,872 (2012 - $1,558) as operating government transfers. $81,081 has been recorded as a receivable (2012 - $72,150).

The Provincial City Transportation Fund provides annual funding for developing and implementing safe, effective and integrated transportation systems and facilities. In 2013, the City received funding of $119,458 (2012 - $124,000) and has recognized $81,129 (2012 - $93,139) as capital government transfers and $12,950 (2012 - $1,712) as operating government transfers, including reallocation of costs from the North/South Trade Highway grant of $80 (2012 - $715), interest of $188 (2012 - $90) and temporary rental income of $0 (2012 - $65). $22,373 has been recorded as deferred revenue (2012 - $3,114 as a receivable).

A grant of up to $29,000 has been approved under the Alberta Innovation and Science program to provide funding for a solid waste gasification demonstration facility. $0 (2012 - $99) has been recognized as government transfers for capital, and $3,700 (2012 - $3,700) has been recognized as government transfers for operations. $1,541 (2012 - $5,200) including interest of $41 (2012 - $99), has been reported as deferred revenue.

Under the Federal Gas Tax Fund (formerly New Deals for Cities and Communities) and the New Deals for Public Transit Program, the City received $43,605 (2012 - $43,605), and recognized $43,904 (2012 - $43,605) as operating government transfers, to fund debt servicing costs related to the South LRT. The City recognized $0 (2012 - $8,797) as capital government transfers. $0 (2012 - $299) including interest of $0 (2012 - $37) has been reported as deferred revenue.

In 2013, the City received a grant of $16,335 (2012 - $16,335) from the Province for Family and Community Support Services funding. The full amount was recognized as operating revenue in 2013.

In 2013, the City received a one-time grant of $1,347 from the Province for slide reconstruction of Whitemud properties. The full amount was recognized as capital revenue in 2013.

The Provincial Government approved funding through the Alberta Disaster Recovery Program for flood damage in 2013. The City received funding of $4,380 (2012 - $0) for flood relief, and recognized $2,428 (2012 - $0) as operating revenue and $981 (2012 - $0) as capital revenue. $971 (2012 - $0) has been recorded as deferred revenue.

For government transfers receivable refer to Note 3. For government transfer amounts deferred to future years, see also Note 7.

18. Executive Salaries and Benefits

The following executive salaries and benefits are disclosed as required under the Supplementary Accounting Principles and Standards Regulation (AR 313/2000) of the MGA.

	Salaries	Benefits	**2013**	2012
Mayor:				
Iveson	$ 21	$ 5	**$ 26**	$
Mandel	141	88	**229**	168
	162	93	**255**	168
Councillors:				
Anderson	91	19	**110**	108
Batty	79	35	**114**	108
Caterina	91	21	**112**	108
Diotte	76	18	**94**	108
Esslinger	12	3	**15**	
Gibbons	91	20	**111**	107
Henderson	91	19	**110**	107
Iveson	76	18	**94**	107
Knack	12	3	**15**	
Krushell	78	17	**95**	104
Leibovici	77	18	**95**	106
Loken	91	21	**112**	109
McKeen	12	3	**15**	
McCullogh (formerly Sloan)	79	29	**108**	106
Nickel	12	3	**15**	
Oshry	12	3	**15**	
Sohi	91	21	**112**	109
Walters	12	3	**15**	
	1,083	274	**1,357**	1,287
Chief Administrative Officer (City Manager)	364	31	**395**	370
City Assessor	205	29	**234**	227
	$ 1,814	$ 427	**$ 2,241**	$ 2,052

Executive salaries and benefits are included in corporate administration expenses in the Consolidated Statement of Operations and Accumulated Surplus.

Benefits include the City's share of all benefits and contributions made on behalf of executives, including retirement contributions, Canada Pension Plan, Employment Insurance, dental coverage, medical coverage, group life insurance, short-term disability insurance and transportation allowances.

The City of Edmonton Members of Council are provided with a transition allowance, upon the conclusion of their service, equal to three weeks salary for each year served, to a maximum of 36 weeks.

19. Subsidiary Operations - EPCOR

EPCOR, established by City Council under City Bylaw 11071, is wholly owned by the City. EPCOR builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services and products to residential and commercial customers.

In 2013, EPCOR adopted the International Accounting Standard IAS 19 - Employee Benefits (Amendment) applicable to companies for years beginning on or after January 1, 2013, with retrospective application from January 1, 2012. For purposes of the City of Edmonton consolidated reporting, the change by EPCOR to adopt IAS 19 is reported as a change to opening 2013 shareholder's equity without restatement of prior periods.

The following table provides condensed supplementary financial information for EPCOR. Consolidated financial statements are contained within EPCOR's annual report and can be obtained at their website or by contacting the corporate offices of EPCOR.

	2013	2012
Financial position:		
Current assets	$ 503,222	$ 605,015
Capital assets	3,775,913	3,416,574
Investment in Capital Power	385,261	620,557
Other assets	782,274	781,480
Total assets	5,446,670	5,423,626
Current liabilities (including current portion of long-term debt of $14,563 (2012 - $14,324))	340,501	400,825
Non-current liabilities	886,739	833,681
Long-term debt	1,957,207	1,956,416
Total liabilities	3,184,447	3,190,922
Accumulated other comprehensive gain (loss)	13,212	13,869
Share capital contribution	23,792	23,794
Retained earnings	2,225,219	2,195,041
Shareholder's equity	$ 2,262,223	$ 2,232,704
Results of operations:		
Revenues	$ 1,955,445	$ 1,958,807
Equity share of income - Capital Power	65,842	40,456
Expenses	(1,802,832)	(1,857,465)
Impairment of investment in Capital Power	(42,956)	(123,715)
Net income	$ 175,499	$ 18,083
Changes in shareholder's equity:		
Shareholder's equity - opening	$ 2,232,704	$ 2,351,024
Adjustments upon IAS 19 adoption	(12,060)	
Adjusted opening shareholder's equity	2,220,644	2,351,024
Net Income	175,499	18,083
Other comprehensive income	7,101	4,618
Dividend to shareholder (City of Edmonton)	(141,021)	(141,021)
Shareholder's equity - ending	$ 2,262,223	$ 2,232,704

In the regulatory environment that EPCOR operates in, estimates are often required to be recorded until values are finalized and adjusted pursuant to subsequent regulatory decisions, or proceedings. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

In 2009, through a series of transactions, EPCOR sold substantially all of its power generation assets net of certain liabilities to Capital Power. Through an equity investment in Capital Power, a 72 per cent interest in that business was retained. Dispositions and stock dilution have subsequently decreased EPCOR's interest in Capital Power to 19 per cent (2012 – 29 per cent). EPCOR applies the equity method to account for its investment in Capital Power.

In 2013, it was determined that the carrying amount of EPCOR's investment in exchangeable limited partnership units of Capital Power L.P. exceeded the recoverable amount of the investment, resulting in an impairment charge of $42,956 (2012 – $123,715).

Principal payments on EPCOR's long-term debt for the next five years and thereafter, including Sinking Fund payments (Note 10) and deferred financing charges, are as follows:

2014	$ 14,565
2015	14,749
2016	145,138
2017	15,359
2018	413,209
Thereafter	1,382,015
	$ 1,985,035

EPCOR has issued letters of credit for $100,122 (2012 – $139,405) to meet the credit agreements of energy market participants, as conditions of certain agreements or to satisfy legislated reclamation requirements.

The following summarizes the City's related party transactions with EPCOR for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	2013	2012
Dividend paid to the City	**$ 141,021**	$ 141,021
Franchise fees and revenue tax to the City	**71,191**	65,915
Financing expenses paid or payable to the City	**12,550**	17,360
Sales of administrative and construction services from the City	**12,982**	14,634
Property taxes and other taxes to the City	**12,808**	13,171
Costs of capital construction paid or payable to the City	**2,596**	2,330
Power and water purchased by the City	**3,101**	2,571
Other services purchased by the City	**80,352**	93,773

Within current assets and other assets is $41,835 (2012 – $29,883) due from the City. Current liabilities of $6,500 (2012 – $10,000) and non-current liabilities of $0 (2012 – $6,500) relate to transfer fees payable to the City with respect to the 2009 transfer of the Gold Bar Wastewater Treatment Facility from the City to EPCOR. EPCOR's current liabilities include $7,776 (2012 – $11,183) in trade and other payables due to the City. The City financial statements include the net balance receivable from EPCOR within the Financial Assets – Trade and other receivables. Other related party balances include deferred revenues of $25,306 (2012 – $25,925), relating to capital contributions received for capital projects and rebates for maintenance, repair and construction services, including $16,050 in contributed capital for the North LRT project.

Long-term debt reported by EPCOR includes amounts of $133,509 (2012 – $150,016) issued in the name of the City. Offsetting short and long-term receivables from EPCOR of $134,308 (2012 – $152,316), presented on a PSAS basis, have been applied to reduce the consolidated long-term debt (Note 10).

20. Pension and Long-term Disability Plans

a) Local Authorities Pension Plan

All employees of the City, with the exception of police officers, are members of the Local Authorities Pension Plan (LAPP), which is one of the multi-employer plans covered by the Public Sector Pension Plans Act of Alberta.

The City is required to make current service contributions to the Plan of 10.43 per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 14.47 per cent thereafter. Employees of the City are required to make current service contributions of 9.43 per cent of pensionable salary up to YMPE and 13.47 per cent thereafter. Contributions for current service are recorded as expenses in the year in which they become due.

Total current service contributions by the City to the LAPP in 2013 were $81,530 (2012 - $74,291). Total current service contributions by the employees of the City to the LAPP in 2013 were $73,548 (2012 - $66,699).

The LAPP reported a deficiency for the overall plan as at December 31, 2012 of $4,977,303. Information as at December 31, 2013 was not available at the time of preparing these financial statements.

b) Special Forces Pension Plan

Police officers employed by the City are participants in the multi-employer Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 10.32 per cent of pensionable payroll. In addition, past service contributions to the Plan of 0.75 per cent of pensionable payroll are required to eliminate an unfunded liability related to service prior to 1992, on or before December 31, 2036. Additional past service contributions of 3.48 per cent of pensionable payroll were implemented July 1, 2010 to eliminate an unfunded liability related to post-1991 service amortized over 13.5 years. Participants of the SFPP are required to make current service contributions of 9.22 per cent of pensionable salary. As well, past service contributions of 0.75 per cent and 3.48 per cent of pensionable salary are required, consistent with those described for the City. Contributions for current and past service are recorded as expenses in the year in which they become due.

Total current and past service contributions by the City to the SFPP in 2013 were $23,481 (2012 - $22,919). Total current and past service contributions by the participants to the SFPP in 2013 were $21,705 (2012 - $21,185).

The SFPP reported a deficiency for the plan as at December 31, 2012 of $498,852 comprised of $268,685 for pre-1992 and $230,167 relating to post-1991. More recent information was not available at the time of preparing these financial statements.

c) City-Sponsored Pension Plans

The following summarizes plans sponsored by the City. Assets related to the plans are held in trust as disclosed in Note 23.

i) Annuity Plan

The City provides pension benefits to members who were retired at the time the City's Pension Plan was transferred to the Province of Alberta. There are no active members enrolled in the Plan and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were $5 (2012 - $6).

ii) Police Supplementary Pension Plan

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the LAPP for 20 pensioners and beneficiaries. There are no active police officers enrolled in the PSPP and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were $83 (2012 - $99).

iii) Fire Fighters' Supplementary Pension Plan

The Fire Fighters' Supplementary Pension Plan (FFSPP) is a defined benefit pension plan covering members of the City Fire Fighters' Union. Pensions are payable to retired fire fighters and surviving spouses of deceased fire fighters. This pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were $6,896 (2012 - $6,769). Employee contributions for the year were $2,871 (2012 - $2,846). Employer contributions for the year were $3,304 (2012 - $3,360).

iv) Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan

The City of Edmonton Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan (Fire Chief) is a defined benefit pension plan covering employees in the positions of fire chief and deputy fire chiefs. Contributions are made by plan members and by the City. The pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were $218 (2012 - $308). Employee contributions for the year were $9 (2012 - $12), and employer contributions were $78 (2012 - $63).

Actuarial valuations for Annuity, Police Supplementary, and Fire Chief and Deputy Fire Chief's Supplementary Pension Plans, and an actuarial extrapolation for Fire Fighters' Supplementary Pension Plan were completed by Aon Hewitt as at December 31, 2013. Each 2013 actuarial valuation was based upon a number of longer term assumptions which reflect management's best estimates. The expected inflation rate is 2.25 per cent (2012 - 2.25 per cent). The discount rate used to determine the accrued benefit obligation is 6.0 per cent (2012 - 6.0 per cent). The expected rate of return on plan assets is 6.0 per cent (2012 - 6.0 per cent). The actuarial assumptions include a salary increase of 3.5 per cent (2012 - 3.5 per cent), plus a merit and promotion increase in the Fire Fighters' Supplementary Pension Plan (which varies by service) and the Fire Chief and Deputy Fire Chief's Supplementary Pension Plan of 0.5 per cent per annum for those with greater than 5 years of service.

Each pension fund's assets are valued at fair value. The fair value actual rate of return for 2013 is 18.9 per cent (2012 - 9.8 per cent).

The following table sets out the results for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	**2013**	2012
Fair value of assets	$ 11,872	$ 9,160	$ 166,409	$ 2,763	**$ 190,204**	$ 161,817
Accrued benefit obligation	13	403	158,539	3,255	**162,210**	153,991
Funded status - surplus (deficit)	11,859	8,757	7,870	(492)	**27,994**	7,826
Unamortized net actuarial loss			9,829	186	**10,015**	28,476
Accrued benefit asset (liability)	11,859	8,757	17,699	(306)	**38,009**	36,302
Valuation allowance	11,859	8,757			**20,616**	17,305
Employee portion of accrued benefit asset			7,965		**7,965**	8,638
Net fund asset (liability)	$	$	$ 9,734	$ (306)	**$ 9,428**	$ 10,359

The net actuarial loss is amortized on a straight line basis over the expected average remaining service life (EARSL) of the Fire Fighters' plan of 16.3 years (2012 - 16.3 years) and of the Fire Chief plan of 3.3 years (2012 - 3.0 years). The accrued benefit asset for the FFSPP is shared 55 per cent by the City as employer and 45 per cent by employees. The net employer share of the fund asset balance for the FFSPP is included in Receivables - Trade and other (Note 3). The net fund liability for the Fire Chief Plan is included within Employee Benefit Obligations - Other (Note 8).

The following table sets out the benefit plan related expense for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	2013	2012
Current service cost	$	$	$ 5,411	$ 14	**$ 5,425**	$ 5,218
Amortization of actuarial (gain) loss	(1,253)	(1,020)	1,753	144	**(376)**	1,771
Increase in valuation allowance	1,853	1,458			**3,311**	1,516
Less: employee contributions			(2,871)	(9)	**(2,880)**	(2,858)
Benefit plan expense for the year	600	438	4,293	149	**5,480**	5,647
Interest cost on accrued benefit obligation	1	28	8,986	172	**9,187**	8,722
Expected return on plan assets	(601)	(466)	(8,478)	(136)	**(9,681)**	(8,914)
Benefit plan interest expense (income)	(600)	(438)	508	36	**(494)**	(192)
Total benefit plan related expense	$	$	$ 4,801	$ 185	**$ 4,986**	$ 5,455

d) Long-term Disability Plan

The Long-term Disability Plan is available to permanent City employees to provide protection against loss of income. The employee pays 100 per cent of the premium for the Plan.

An actuarial valuation of the Plan was completed by Aon Hewitt as at December 31, 2013. The Plan's assets are valued at fair value.

	2013	2012
Fair value of assets	**$ 111,036**	$ 95,291
Less: Accrued benefit obligation	**51,177**	52,442
Net assets	**$ 59,859**	$ 42,849

21. Commitments

a) Capital Commitments

City Council has approved a 2012 - 2014 Capital Budget. Certain projects approved include expenditures which extend beyond 2014. The overall future commitment of $3,025,416 is to be financed as follows:

Tax-supported debentures	$ 946,988
Government transfers and developer contributions	927,254
Accumulated surplus including reserves	524,882
Pay-as-you-go funding	392,821
Self-liquidating debentures	149,196
Other	84,275
	$ 3,025,416

Capital requirements related to EPCOR are not included in the Capital Budget. Certain capital commitments for EPCOR have been disclosed in Note 19.

b) Lease Commitments

The City has entered into a number of operating lease agreements, mainly for facilities and equipment. Lease commitments over the next five years and thereafter are as follows:

2014	$ 18,832
2015	16,797
2016	9,799
2017	7,964
2018	6,232
Thereafter	24,429
	$ 84,053

c) Contractual Obligations

To mitigate the risk of fluctuation in fuel prices the City has entered into swap transactions to purchase 20.80 million litres of heating oil for monthly periods from January 2014 through December 2014. The contracts have settlement dates ranging from February 7, 2014 through January 8, 2015 at prices from $0.79 to $0.85 per litre, or $16,860.

The City has entered into cash and security futures contracts with a notional value of $12,500. As at December 31, 2013 the unrealized loss of $76 (2012 - gain of $23) related to futures has been reported within the market value of short-term notes and deposits in Note 4. The contracts have a term of maturity within one year.

22. Contingent Liabilities

a) The City is defendant in various lawsuits as at December 31, 2013. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded, and the City's Administration believes there will be no material adverse effect on the financial position of the City.

b) The City is reviewing environmental objectives and liabilities for its activities and properties as well as any potential site reclamation obligations. The amount of any such obligations has not been determined.

23. Trust Assets under Administration

The City administers Pension Fund, Long-term Disability Plan and other assets in trust on behalf of third parties. As related trust assets are not owned by the City, the trusts have been excluded from the reporting entity.

	2012	Deposits (Withdrawals)	Earnings (Losses)	2013
Pension Funds Net Assets:				
Annuity Fund	$ 10,019	$ (32)	$ 1,885	$ **11,872**
Police Supplementary Pension Fund	7,811	(106)	1,455	**9,160**
Fire Fighters' Supplementary Pension Fund	141,858	(1,731)	26,282	**166,409**
Fire Chief and Deputy Fire Chiefs' Supplementary Pension Fund	2,129	665	(31)	**2,763**
	161,817	(1,204)	29,591	**190,204**
Long-term Disability Plan	95,291	4,324	11,421	**111,036**
Other	744	(29)	1	**716**
	$ 257,852	$ 3,091	$ 41,013	$ **301,956**

Pension Fund assets include fixed income investments in government and government guaranteed bonds, and corporate bonds valued at market quotations from Canadian investment dealers, as well as Canadian, international and global common and preferred shares valued at the closing price on the stock exchange where listed. Assets of the pension funds are administered by the City in conjunction with the City of Edmonton Investment Committee.

Long-Term Disability Plan assets are comprised of government and government guaranteed bonds, corporate bonds valued at market quotations from Canadian investment dealers, as well as Canadian, international and global common and preferred shares valued at the closing price on the stock exchange where listed.

24. Segment Disclosures

The Consolidated Schedule of Segment Disclosures – Schedule 2 has been prepared in accordance with PS 2700, *Segment Disclosures*. Segment disclosures are intended to enable users to better understand the government reporting entity as well as the major expense and revenue activities of the City. For each reported segment, revenues and expenses represent amounts directly attributable to the segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget processes. Segments include:

a) **Tax-supported programs** directly supported by property taxes, including the tax allocation provided directly to other operations, as follows:
   - **Transportation Services** includes bus, light rail transit, roadway and parking services.
   - **Protective Services** is comprised of police, traffic safety, bylaw enforcement and fire rescue.
   - **Community Services** includes parks and recreation, community and family services, planning and public housing. Also included are Edmonton Public Library and Edmonton Economic Development Corporation, which are managed by separate Boards.
   - **Other Tax-supported** consists of corporate administration, general municipal services, tax appeals and allowances and excess (deficiency) in Sinking Fund earnings. Revenues that are not directly attributed to another tax-supported segment are also recorded within this other tax-supported segment.

b) **Waste Management** delivers customer-focused services consisting of collection, processing and disposal of residential and non-residential waste and recyclables, as well as community relation services in support of waste management programs. 2013 includes start-up operations for 2492369 Canada Corporation, operating as Waste RE-solutions Edmonton, marketing waste management expertise nationally and internationally.

c) **Drainage Services** includes the Sanitary Drainage Utility (collection and transmission of wastewater) as well as the Stormwater Drainage Utility (collection and transmission of storm water) and design and construction activities. The utilities operate under a full cost recovery model to support operating requirements and address long-term capital requirements.

d) **Fleet Services** provides vehicle and equipment procurement, maintenance, fleet engineering, fabrication services, fuel management and fleet administration to other City operations and to EPCOR.

e) **Land Enterprise** is comprised of land development and municipal use property activities. Land development includes the City's role as a land developer in the areas of acquisition, development and land sales activities. Municipal use property involves the acquisition of land for municipal purposes and disposal of land deemed surplus to municipal needs. The Land Enterprise is intended to be operated on a self-sustaining basis.

f) **EPCOR** is a wholly owned subsidiary of the City of Edmonton, accounted for on a modified equity basis as a government business enterprise. Note 19 to these financial statements provides condensed financial information for EPCOR.

g) **Other** includes the Ed Tel Endowment Fund, the Non-Profit Housing Corporation, vehicle for hire, the Combative Sports Commission and the Fort Edmonton Management Company. The Ed Tel Endowment Fund is an investment fund created in 1995 with the proceeds from the sale of the municipal telephone company. The proceeds from the sale were invested and provide an annual dividend to support tax-supported programs based on conditions set out in Bylaw 11713. Non-Profit Housing was established by the City in 1977 for the purpose of providing non-profit housing for citizens.

The accounting policies used in the segment disclosures are consistent with those followed in the preparation of the financial statements (Note 1).

25. Change in Accounting Policy

As a result of the adoption of PS3510, *Tax Revenue*, the City changed its accounting policy relating to the recognition of local improvements. Local improvement projects are completed on a cost-share basis between the City and property owners. Previously, the revenue for the property owners' share of the local improvement was recognized as it was billed over an agreed upon repayment plan period ranging from five to twenty-five years. Commencing in 2013 the local improvement revenue and receivable is recognized for the full amount of the property owner's share of the cost in the year the local improvement project is complete. This accounting policy more closely reflects the underlying nature of the transaction with the property owners. This change has been applied retroactively with restatement of prior period results.

The following table outlines the adjustments made to the 2012 financial statements to reflect the above change in accounting policy. Local improvement revenues were previously reported under net taxes available for municipal purposes, however, these revenues are now reported separately.

Adjustment to opening accumulated surplus:	
As previously reported	$ 10,875,565
Restatement of local improvements revenue	72,275
As restated	$ 10,947,840
Adjustment to opening net financial assets:	
As previously reported	$ 1,450,299
Restatement of local improvements revenue	72,275
As restated	$ 1,522,574
Adjustment to net taxes available for municipal purposes:	
As previously reported	$ 1,040,270
Local improvements previously reported as net taxes for municipal purposes	(8,017)
As restated	$ 1,032,253
Adjustment to local improvements revenue:	
As previously reported	$
Local improvements revenue restated	8,315
As restated	$ 8,315
Adjustment to investment earnings:	
As previously reported	$ 59,899
Interest on local improvements receivable	2,500
As restated	$ 62,399
Adjustment to developer and customer contributions - capital:	
As previously reported	$ 41,643
Adjustment for prepayments previously recognized as revenue	(1,749)
As restated	$ 39,894
Adjustments to excess of revenues over expenses:	
As previously reported	$ 555,946
Local improvements previously reported as net taxes for municipal purposes	(8,017)
Local improvements revenue restated	8,315
Interest on local improvements receivable	2,500
Adjustment for prepayments previously recognized as revenue	(1,749)
As restated	$ 556,995

Addition of local improvements receivable:		
As previously reported	$	
Opening balance - local improvements receivable as restated		72,275
Local improvements revenue restated		8,315
Principal repayments received		(5,517)
Prepayments of local improvements		(1,749)
As restated	$	73,324
Adjustments to local improvements reserve for future expenditures (Note 14):		
As previously reported (included in other reserves)	$	116
Restatement of opening accumulated surplus relating to local improvements revenue		72,275
Local improvements previously reported as net taxes for municipal purposes		(8,017)
Local improvements revenue restated		8,315
Interest on local improvements receivable		2,500
Adjustment for local improvement prepayments		2,799
As restated	$	77,988
Adjustments to advances for construction (Note 15):		
As previously reported	$	70,709
Adjustment for local improvement prepayments		(2,799)
Adjustment for prepayments previously recognized as revenue		(1,749)
Reclassification of comparative information to conform with financial statement presentation		(6,389)
As restated	$	59,772

26. Comparative Information

Certain other comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

SCHEDULES & STATISTICS

Edmonton

Statistical Review for the Years 2009 to 2013
General Municipal Data

Unaudited

	2013	2012	2011	2010	2009
Population (Note 1)	**817,498**	817,498	812,201	782,439	782,439
Population age distribution (%) (Note 1)					
0-4	**6.15**	6.15	5.77	5.77	5.77
5-19	**16.95**	16.95	17.52	17.52	17.52
20-29	**17.08**	17.08	17.81	17.81	17.81
30-39	**15.46**	15.46	14.95	14.95	14.95
40-49	**14.08**	14.08	14.95	14.95	14.95
50-59	**13.83**	13.83	13.27	13.27	13.27
60-64	**4.91**	4.91	4.44	4.44	4.44
65+	**11.54**	11.54	11.29	11.29	11.29
Area - in hectares	**69,980**	69,980	69,980	69,980	69,980
- in square kilometers (rounded)	**700**	700	700	700	700
Value of building permits ($000)	**$ 3,966,199**	$ 3,419,353	$ 2,820,745	$ 2,726,282	$ 2,448,601
Number of housing starts (per Canada Mortgage and Housing Corporation)	**10,634**	9,488	6,135	6,110	3,911
Household median total income (Note 2) (per Statistics Canada) ($)					
Edmonton (metropolitan area)	**$ 91,860**	$ 91,860	$ 91,860	$ 87,930	$ 86,250
Alberta	**$ 89,830**	$ 89,830	$ 89,830	$ 85,380	$ 83,560
Canada	**$ 72,240**	$ 72,240	$ 72,240	$ 69,860	$ 68,410
Consumer price index - 2002 base year (per Statistics Canada)					
Edmonton	**129.0**	127.4	126.0	122.9	121.6
Alberta	**128.9**	126.5	125.7	122.7	121.5
Canada	**122.8**	121.2	119.9	116.5	114.4
Unemployment rate (%) - annual average (per Statistics Canada)					
Edmonton (metropolitan area)	**4.9**	4.7	5.4	6.7	6.7
Alberta	**4.6**	4.7	5.5	6.5	6.6
Canada	**7.1**	7.3	7.4	8.0	8.3
City of Edmonton employees (Note 3)	**13,824**	13,420	13,030	12,571	12,166

Notes:

1. The population figures are as per the 2009 City Census, 2011 Canada Census and 2012 City Census. The population age distribution for 2009 through 2011 reflects the 2009 City Census information. The population and population age distribution for 2012 and 2013 reflects the 2012 City Census information.
2. Updated figures for 2012 and 2013 household median total income are not yet available. The amounts shown continue to reflect the 2011 data.
3. Positions are stated in full time equivalents, as budgeted and exclude EPCOR.

Statistical Review for the Years 2009 to 2013
Assessment and Tax Levy

Unaudited (in thousands of dollars, except per capita)

	2013	2012	2011	2010	2009
Assessment:					
Total taxable assessment	**$140,044,430**	$131,963,278	$130,942,608	$121,312,731	$132,072,265
Percentage of total assessment represented by:					
Residential properties	**74.6**	75.6	75.3	73.7	75.1
Commercial properties	**25.4**	24.4	24.7	26.3	24.9
Taxable assessment per capita	**$ 171,309**	$ 161,423	$ 161,219	$ 155,044	$ 168,796
Assessment for principal taxpayers (%) (Note 1)	**4.6**	4.1	4.2	4.7	4.6
Rates of taxation (mills):					
Single family residences	**7.82**	7.68	7.12	7.35	6.20
Other residential property	**8.61**	8.43	7.82	8.06	6.80
Commercial and industrial	**18.22**	18.88	17.37	15.56	13.16
Property tax levy, collections, and arrears:					
Arrears at January 1 (net)	**$ 43,973**	$ 40,998	$ 46,199	$ 36,716	$ 30,575
Tax Levy	**1,479,341**	1,390,327	1,277,865	1,164,619	1,062,115
Appeals and Adjustments	**(11,479)**	(13,708)	(12,778)	(3,268)	(6,457)
Collections:					
Regular	**$ (1,442,135)**	$ (1,358,508)	$ (1,249,635)	$ (1,135,708)	$ (1,042,158)
Community Revitalization Levy	**(783)**	(487)			
Arrears	**(30,898)**	(25,113)	(29,321)	(24,141)	(14,422)
Penalties on prior year arrears:	**11,467**	10,464	8,668	7,981	7,063
Arrears at December 31 (net)	**$ 49,486**	$ 43,973	$ 40,998	$ 46,199	$ 36,716
Percentage of current property taxes collected	**98.3**	98.7	98.8	97.8	98.7
Percentage of net property tax arrears collected	**70.3**	61.3	63.5	65.8	47.2
Property tax arrears per capita (gross)	**$ 64.50**	$ 60.18	$ 56.25	$ 60.07	$ 47.85
Property tax arrears per capita (net)	**60.53**	53.79	50.48	59.04	46.93
Property tax levy per capita	**1,809.60**	1,700.71	1,573.34	1,488.45	1,357.44
Business tax levy (Note 2)	**$**	$	$	$ 33,088	$ 62,308
Business revitalization zone tax levy	**$ 3,115**	$ 3,005	$ 2,740	$ 2,726	$ 2,694
Education requisitions	**$ 399,047**	$ 390,227	$ 352,300	$ 334,922	$ 314,899

Source: City of Edmonton Financial Services and Utilities

Notes:
1. Includes the ten highest taxpayers by assessment value.
2. 2010 was the final year the City levied business taxes.

	2013	2012	2011	2010	2009
Investment funds					
The Balanced Fund					
Net assets – market value	$ **535,846**	$ 494,255	$ 464,594	$ 519,648	$ 548,118
Net assets – cost	**530,235**	499,086	478,786	500,628	538,234
Net earnings	**30,910**	20,123	53,150	37,265	9,127
Fund rate (%)	**6.2**	4.2	10.6	6.9	1.8
Market (%)	**8.7**	6.7	4.6	9.0	10.9
Ed Tel Endowment Fund					
Net assets – market value	$ **708,839**	$ 617,935	$ 590,566	$ 626,626	$ 589,938
Net assets – cost	**683,798**	648,507	652,398	591,113	570,932
Net earnings (losses)	**56,752**	23,821	87,084	44,879	(10,304)
Fund rate (%)	**8.3**	3.7	13.3	7.6	(1.8)
Market (%)	**18.8**	9.9	(1.2)	10.9	16.1
The Sinking Fund					
Net assets – market value	$ **69,498**	$ 162,682	$ 249,351	$ 299,750	$ 347,060
Net assets – cost	**67,996**	158,636	240,111	292,977	337,690
Net earnings:					
Required	**4,102**	7,843	12,519	16,917	20,564
(Deficiency) excess	**(791)**	1,609	(1,726)	(238)	(3,487)
Total	$ **3,311**	$ 9,452	$ 10,793	$ 16,679	$ 17,077
Fund rate (%)	**4.9**	6.0	4.5	5.7	5.1
Market (%)	**0.4**	2.9	5.8	4.3	2.2

Source: City of Edmonton Financial Services and Utilities

Notes:
1. This schedule summarizes significant investment funds maintained by the City of Edmonton.
   a) Net earnings (losses) are realized earnings (losses) of the fund as calculated in accordance with Canadian public sector accounting standards.
   b) Fund rate is the rate expressed as the net earnings (losses) for the year over the weighted average of total assets employed.
   c) Market return is based on the time-weighted method, in accordance with industry standards.

Statistical Review for the Years 2009 to 2013
Long-Term Debt

Unaudited (in thousands of dollars, except per capita)

	2013	2012	2011	2010	2009
Debenture borrowing					
Self-liquidating	**$ 86,281**	$ 95,686	$ 90,037	$ 80,992	$ 220,782
Tax-supported	**204,683**	248,606	119,832	315,799	389,084
	$ 290,964	$ 344,292	$ 209,869	$ 396,791	$ 609,866
Debt limit per regulation	**$ 4,620,040**	$ 4,180,392	$ 4,079,024	$ 3,679,534	$ 3,243,406
Total debt limit used	**2,426,187**	2,232,921	1,973,819	1,840,233	1,508,719
Percentage used (%)	**52.51**	53.41	48.39	50.01	46.52
Debt service limit per regulation	**808,507**	731,569	713,829	643,918	567,596
Total debt service limit used	**255,778**	223,516	188,104	172,625	138,671
Percentage used (%)	**31.64**	30.55	26.35	26.81	24.43
General government debt service (Note 1)	**126,100**	113,452	105,720	90,959	67,920
General government debt service as a percentage of general government operating expenses (Note 1)	**6.1**	6.0	5.7	5.3	4.2
Long-term debt (gross)					
Self-liquidating	**$ 1,014,118**	$ 1,076,208	$ 1,123,798	$ 1,149,471	$ 1,182,933
Tax-supported	**1,612,611**	1,465,111	1,265,870	1,189,758	910,677
Long-term debt (net of EPCOR and Sinking Fund)					
Self-liquidating	**$ 813,576**	$ 767,810	$ 707,949	$ 650,475	$ 598,042
Tax-supported	**1,612,611**	1,465,111	1,265,870	1,189,758	910,677
Net debt per capita					
Self-liquidating	**$ 995**	$ 939	$ 872	$ 831	$ 764
Tax-supported	**1,973**	1,792	1,559	1,521	1,164
	$ 2,968	$ 2,731	$ 2,431	$ 2,352	$ 1,928
Percentage of net debt to be retired					
Within 5 years	**28.7**	28.5	25.9	25.0	22.4
Within 10 years	**53.1**	52.5	50.4	49.1	47.9

Source: City of Edmonton Financial Services and Utilities

Note:
1. Debt service includes principal and interest.

Operating Expenses by Function	2013	2012	2011	2010	2009
Transportation services	$ **754,412**	$ 695,084	$ 689,946	$ 624,577	$ 569,337
Protective services	**556,435**	528,007	500,887	475,772	430,217
Community services	**426,116**	407,314	378,287	337,774	304,337
Utility and enterprise services	**361,419**	313,525	312,865	289,484	257,867
Corporate administration, general municipal and other	**332,797**	295,560	296,362	288,764	312,440
	$ **2,431,179**	$ 2,239,490	$ 2,178,347	$ 2,016,371	$ 1,874,198

Operating Expenses by Object	2013	2012	2011	2010	2009
Salaries, wages and benefits	$ **1,304,478**	$ 1,219,733	$ 1,149,747	$ 1,079,964	$ 996,550
Materials, goods and utilities	**303,683**	259,147	273,126	226,324	220,984
Contracted and general services	**233,818**	193,758	214,413	209,861	201,943
Interest and bank charges	**99,780**	93,960	90,316	81,748	65,743
Grants and other	**76,074**	87,284	76,967	80,002	90,141
Amortization of tangible capital assets	**405,347**	381,628	359,254	328,943	295,006
Loss on disposal/replacement of tangible capital assets	**7,999**	3,980	14,524	9,529	3,831
	$ **2,431,179**	$ 2,239,490	$ 2,178,347	$ 2,016,371	$ 1,874,198

Source: City of Edmonton Financial Services and Utilities

Statistical Review for the Years 2009 to 2013
Consolidated Revenue and Capital Financing

Unaudited (in thousands of dollars)

Revenues

	2013	2012	2011	2010	2009
Net taxes for municipal purposes (Note 1)	**$ 1,115,909**	$ 1,032,253	$ 963,311	$ 897,048	$ 837,766
User fees and sale of goods and services	**632,377**	595,632	544,501	495,883	458,814
Subsidiary operations – EPCOR	**175,499**	18,083	143,656	132,955	119,555
Franchise fees	**127,327**	117,406	114,805	103,266	95,283
Government transfers – operating	**119,381**	110,758	113,148	118,618	107,500
Investment earnings	**104,294**	62,399	157,950	98,129	9,784
Fines and penalties	**78,449**	55,643	48,610	51,820	45,403
Licenses and permits	**68,748**	64,452	50,737	40,777	33,599
Developer and customer contributions – operating	**2,432**	3,444	656	149	5
Revenues before capital	**$ 2,424,416**	$ 2,060,070	$ 2,137,374	$ 1,938,645	$ 1,707,709
Government transfers – capital	**380,960**	485,713	487,155	389,776	469,928
Developer contributed tangible capital assets	**219,599**	202,493	121,608	139,281	241,074
Developer and customer contributions – capital	**52,466**	39,894	45,794	34,077	33,549
Local improvements (Note 1)	**8,637**	8,315			
	$ 3,086,078	$ 2,796,485	$ 2,791,931	$ 2,501,779	$ 2,452,260

Capital Additions by Financing Source

	2013	2012	2011	2010	2009
Capital Additions	**$ 1,235,710**	$ 1,209,210	$ 1,177,337	$ 1,151,622	$ 1,380,864
Financing Sources Applied:					
Pay-As-You-Go	**151,345**	147,348	131,965	97,509	95,352
Debenture borrowing	**277,601**	273,285	230,168	276,038	465,804
Government transfers – Provincial	**345,841**	425,431	452,883	356,660	459,103
Government transfers – Federal	**35,119**	60,282	34,272	33,116	10,825
Developer/partnership	**282,119**	252,799	159,552	170,977	286,838
Reserves/user fees/other	**143,685**	50,065	168,497	217,322	62,942
	$ 1,235,710	$ 1,209,210	$ 1,177,337	$ 1,151,622	$ 1,380,864

Source: City of Edmonton Financial Services and Utilities

Note:

1. Beginning in 2013, with retroactive application to 2012, the property owner's share of the local improvement is recognized as revenue at the completion of the construction of the local improvement. For 2012 and 2013, local improvement revenue is disclosed separately in capital revenue. Local improvement revenue for 2011 and prior years has been included in net taxes for municipal purposes, balances have not been restated.

Financial Position and Annual Surplus Changes to Accumulated Surplus	2013	2012	2011	2010	2009
Financial assets (Note 1)	$ 4,508,856	$ 4,350,345	$ 4,249,311	$ 4,382,260	$ 4,356,584
Liabilities	3,407,276	3,096,229	2,799,012	2,641,128	2,301,741
Net financial assets	1,101,580	1,254,116	1,450,299	1,741,132	2,054,843
Non-financial assets	11,057,813	10,255,337	9,425,266	8,640,012	7,842,995
Accumulated surplus – ending	$ 12,159,393	$ 11,509,453	$ 10,875,565	$ 10,381,144	$ 9,897,838
Annual Excess of revenues over expenses	$ 654,899	$ 556,995	$ 613,584	$ 485,408	$ 578,062
Other changes to Accumulated Surplus	$ (4,959)	$ 4,618	$ (119,163)	$ (2,102)	$ (16,705)

Reserves	2013	2012	2011	2010	2009
General Government					
Financial Stabilization	$ 106,577	$ 93,614	$ 91,138	$ 95,267	$ 71,366
Local improvement (Note 1)	82,101	77,988			
Current planning	25,058	25,685	16,448	6,314	
Financial Stabilization – appropriated	18,971	33,009	43,931	31,614	43,297
LRT	17,407	18,334	14,181	10,035	14,924
Affordable housing	14,628	10,065	11,795	14,744	14,782
Parkland reserve	11,604	11,746	8,833	12,070	12,683
Funds in Lieu - residential	10,645	10,399	20,125	11,420	8,254
Natural areas	8,631	7,870	7,166	6,124	5,058
Tax-supported debt	6,818	6,199	1,628	1,691	1,090
Enterprise portfolio/Commonwealth Stadium	6,691	6,137	4,385	5,593	7,990
Perpetual care	6,290	5,243	5,067	4,775	4,041
Heritage resources	3,544	3,179	2,920	2,722	2,924
Tree management	3,122	2,169	1,914	920	516
Self insurance - vehicles	2,500	2,500	2,500	2,500	2,500
Development incentive	2,035	1,466	1,814	1,942	
Façade & storefront improvements	1,712	1,668	1,498	859	240
Aggregate site	1,460	1,335	1,418	1,183	834
Other	868	602	676	635	601
Neighbourhood renewal	402			2,586	4,723
Northlands – capital		1,146	1,090	1,078	683
Industrial Servicing Fund	(280)	(3,726)			
Community revitalization levy – Belvedere	(3,806)	(2,993)			
Community revitalization levy – Quarters	(5,384)	(1,453)			
	321,594	312,182	238,527	214,072	196,506
Fleet Services – vehicle replacement	16,036	15,314	10,986	953	
Edmonton Economic Development Corporation	1,529	1,946	1,966	1,879	1,590
Edmonton Public Library Board	1,247	3,001	1,215	332	743
Non-Profit Housing Corporation (Note 2)	1,099	1,002	1,017	1,259	1,538
Fort Edmonton Management Company	405				
	$ 341,910	$ 333,445	$ 253,711	$ 218,495	$ 200,377

Source: City of Edmonton Financial Services and Utilities

Notes:
1. Beginning in 2013, with retrospective application to 2012, local improvement revenue is recognized at completion of construction of the local improvement. Local improvements receivable and reserve balances have been adjusted for 2012. Information for 2011 and prior years has not been restated.
2. Beginning in 2010, Non-Profit Housing Corporation was consolidated within the consolidated financial statements. Prior years reserve information has been restated consistently.

Related Boards and Authorities

Further information regarding the related boards and authorities can be obtained from the following sources:

Edmonton Economic Development Corporation

3rd Floor, World Trade Centre Edmonton
9990 Jasper Avenue NW
Edmonton, Alberta T5J 1P7

Phone: 780-424-9191
Fax: 780-917-7668

E-mail: info@edmonton.com
Web: www.edmonton.com/eedc-corporate.aspx

Chair: Peter Silverstone
President and CEO: Brad Ferguson

Edmonton Police Commission

Suite 1803 Scotia Place, Tower 2
10060 Jasper Avenue NW
Edmonton, Alberta T5J 3R8

Phone: 780-414-7510
Fax: 780-414-7511

E-mail: commission@edmontonpolice.ca
Web: www.edmontonpolicecommission.com

Chair: Shami Sandhu
Chief of Police: Rod Knecht

The City of Edmonton Non-Profit Housing Corporation

12520 Fort Road NW
Edmonton, Alberta T5B 4H8

Phone: 780-474-5706
Fax: 780-474-8175

E-mail: info@myhomeed.ca
Web: www.myhomeed.ca

Chair: Ann Henry
Executive Director: Bill Bell

EPCOR Utilities Inc.

EPCOR
2000, 10423 101 Street NW
Edmonton, Alberta T5H 0E8

Phone: 780-412-3414
Fax: 780-412-3192

E-mail: corpafrs@epcor.ca
Web: www.epcor.ca

Chair: Hugh Bolton
President and CEO: David Stevens

The Edmonton Public Library

7 Sir Winston Churchill Square NW
Edmonton, Alberta T5J 2V4

Phone: 780-496-7000
Fax: 780-496-7097

Web: www.epl.ca

Chair: Ellen Calabrese-Amrhein
CEO: Linda Cook

Waste RE-solutions

9003-102A Avenue NW
Edmonton, Alberta T5J 3A3

E-mail: wasteresolutions@edmonton.ca
Web: www.waste-resolutions.com

For more information about
the City of Edmonton, visit

www.edmonton.ca

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